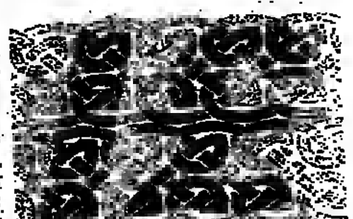
FINANCIAL TIMES



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TOMORROW'S
Weekend FT
Mighty, folksy giant of Europe

World Business Newspaper http://www.FT.com FRIDAY OCTOBER 25 1996

IMF likely to suspend $10bn loan to Russia

The International Monetary Fund is likely to suspend the latest tranche of its $10.2bn loan to Russia because of the government's poor tax collection record and its reluctance to open up its debt market to foreign investors. IMF experts monitoring Russia's compliance with its deal left Moscow after failing to reach agreement with local officials. Page 16

Perot rejects call to drop out: Texan Ross Perot (left) vowed to stay in the US presidential race, dismissing efforts by Republican candidate Bob Dole to persuade him to drop out as "weird and totally inconsequential". Mr Perot's Reform party running mate, Pat Choate, said the approach from Mr Dole was proof he was not a viable candidate and urged Republicans to support the Reform ticket. Page 5; Observer, Page 15

Airlines hit by fuel price rise: Airlines are being forced to raise fares or – for the first time since the Gulf war – add fuel surcharges because aviation fuel prices have risen to a five-year high. Page 17; EU may force airfare cuts, Page 2

Israelis mark Rabin anniversary: Israelis marked the anniversary on the Jewish calendar of the November 4 assassination of prime minister Yitzhak Rabin, but the day was marred by the shooting of a Palestinian near Tel Aviv after soldiers claimed he fled a security checkpoint. Israel still divided, Page 4

China predicts grain self-sufficiency: China claimed it could maintain self-sufficiency in grain, dismissing international fears it will be heavily dependent on imports next century to meet demand estimated to rise to 550m tonnes by 2010, and 640m tonnes by 2030. Page 26

Deal over Black Sea fleet: The Ukrainian and Russian presidents calmed tensions over the division of the Black Sea fleet, but the two leaders would not give details of a final deal. Page 2

Japan to resume China aid: The Japanese government is considering resuming official grant aid to China after a break of nearly 18 months, in recognition of Beijing's decision to sign the United Nations' global ban on nuclear testing. Page 16

UN cash crisis eases: Substantial payments by the US in the past few weeks have helped relieve the United Nations' cash crisis, reducing the total owed by member states to $2.5bn. Page 4

US arms shipped to Bosnia: The biggest shipment of US arms to Bosnia arrived as Washington stepped up efforts to force a merger between the Moslem-led Bosnian army and Bosnian Croat forces. Page 3; Editorial Comment, Page 15

Apec urged to drop trade barriers: Asian business leaders urged their political counterparts in the 18-member Asia Pacific Economic Co-operation forum to go beyond reducing tariffs on imports and pledge to eliminate other barriers to trade. Page 7

Portugal plans transport sell-off: Portugal is to sell a controlling stake in the main motorway network and involve the private sector in the state airline, railways, ports, airports and roadbuilding in a sweeping privatisation programme for the country's transport system. Page 3

Japanese car output rises: Japan's car industry output rose by 0.3 per cent in the six months to September, the first half-year rise in six years, providing the latest evidence of a gentle economic recovery. Page 6

Poland legalises abortion: Poland's lower house of parliament overthrew a Senate veto and passed a bill liberalising abortion, despite opposition from the Catholic Church and Polish-born Pope John Paul II.

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6004.78	(-31.68)
NASDAQ Composite	1234.11	(+6.23)
Europe and Far East		
CAC40	2151.62	(+2.76)
DAX	2678.43	(-21.10)
FTSE 100	3999.4	(-29.0)
Nikkei	21,803.49	(-78.65)

US LUNCHTIME RATES

Federal Funds	$5\frac{1}{4}$%
3-mth Treas Bills: Yld	5.114%
Long Bond	$98\frac{7}{16}$
Yield	6.858%

OTHER RATES

UK: 3-mo Interbank	$5\frac{31}{32}$%	(6%)
UK: 10 yr Gilt	$99\frac{1}{32}$	($98\frac{15}{32}$)
France: 10 yr OAT	103.57	(103.88)
Germany: 10 yr Bund	101.40	(101.65)
Japan: 10 yr JGB	102.6435	(102.236)

NORTH SEA OIL (Argus)

Brent Dated	$24.345	(24.665)

GOLD

New York: Comex		
(Dec)	$384.9	(385.8)
London:		
close	$383.1	(383.6)

DOLLAR

New York: lunchtime		
£	1.5923	
DM	1.5215	
FFr	5.1375	
SFr	1.2573	
Y	112.855	
London:		
£	1.5914	(1.5964)
DM	1.5227	(1.5234)
FFr	5.1420	(5.1498)
SFr	1.2578	(1.2546)
Y	112.875	(113.02)
Tokyo close:	Y 112.755	

STERLING

DM	2.4231	(2.4319)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp.	Kč70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

Report warns of extraordinary costs in introducing single currency

Euro may cost retailers $21bn

By Gillian Tett, Economics Correspondent

European Union retailers could face extraordinary costs of more than Ecus27bn ($31.4bn) - almost 2 per cent of their total annual turnover - in adapting their operations to the introduction of the euro, according to a private industry research report.

The figure, equivalent to about $100 per person in the EU, provides the first concrete estimate outside the banking sector of the costs European monetary union will force companies to bear.

The estimate is likely to fuel concern about the impact of the single currency project on Europe's businesses and consumers.

Leading retailers point out that margins will be squeezed or inflation will be pushed up. "If the cost is not passed on to consumer, the blow to retail profits would be devastating," Lord Blyth, deputy chairman and chief executive of Boots the Chemist, a leading British chain, said yesterday.

The research report by EuroCommerce, the EU retailing body, warns: "It would be politically difficult to sell the euro to citizens if as a result, prices would increase."

The report also reveals significant unresolved issues are hanging over the Emu plans. One is whether the new currency will be introduced in one "big bang" switchover or staggered over six months.

EuroCommerce's calculations are based on two separate scenarios for introduction of the euro in 2002. (Implementation of Emu is to begin in 1999, but the euro will go into general circulation only three years later.)

The first assumes transition to a single currency over six months in 2002, with the euro and national currencies circulating in tandem in this period.

Some European officials believe this would be the most acceptable to the public. Consumer groups are lobbying to ensure shops would have to deal and price in two currencies during this period.

EuroCommerce has calculated that this option would cost retailers Ecus27bn. About 5bn of this would stem from the physical problems of handling two currencies in the shops, while Ecus4bn would arise from dual display of prices.

Other costs arise from computer changes, staff training, and public information campaigns.

These projections have startled the industry. "I am aghast at this estimate. If these costs are to be passed on to consumers in full, imagine the impact on inflation," Lord Blyth said.

Mr Henrik Kroner, secretary general of EuroCommerce, said: "We are very much in favour of the euro, but politicians and parliament must not forget that they need retailers to help the public get used to the new money."

EuroCommerce argues that if a "big bang" transition were used instead, this could cut the bill to Ecus17bn – about 1.1 per cent of the total value of the EU's retail turnover.

Retailers are due to meet the Commission to discuss their estimates shortly. Their suggestions are likely to be opposed by consumer groups.

California telephone networks overloaded by Internet

By Louise Kehoe in San Francisco

California's telephone networks are in danger of collapse because of increasing use of the Internet, according to one of the largest telephone companies in the US.

"The explosion of the Internet is flooding our networks," warned Pacific Bell, the western US regional telephone company. It said heavy Internet use had changed the pattern of telephone traffic, causing serious problems in metropolitan areas including San Francisco, Los Angeles and San Diego.

Internet service providers dismissed Pac Bell's warning as an excuse for increasing tariffs, which are particularly favourable to Internet users.

In Silicon Valley, where Internet traffic is heavier than in any other part of the US, as many as one in six telephone calls does not go through on the first try because of Internet overload. The normal failure rate is one in a hundred.

Addressing a trade show in Anaheim on Wednesday night, Mr Michael Fitzpatrick, chief executive of Pacific Telesis, Pac Bell's parent company, said 16 California telephone switching centres were encountering problems.

With Internet use doubling each year, the problems would get worse. About 8 per cent of California households use the Internet. "A huge tie-up of the local network would occur if Internet use ... expanded to reach 15 per cent of households," he said.

Mr Fitzpatrick said his top concern was the first leg of an Internet user's call, from the home to the Internet service provider's local access point. Because these local calls are free of charge, there is no incentive for Internet users to hang up quickly. Some people leave their computers hooked up to the Internet for hours.

The US telephone network is designed to handle voice calls lasting an average four minutes, but the average Internet call is over 20 minutes, and 10 per cent of Internet calls go on for more than an hour.

New technologies providing graphics, video and audio on the Internet exacerbate the situation by drawing new users and encouraging longer calls, said Mr Fitzpatrick.

"My indicators point to a genuine data *tsunami*, a tidal wave, in the next 18 months. And ... while we can aurf the net, nobody can surf a tidal wave," said Mr Fitzpatrick.

Pac Bell is calling on the Federal Communications Commission to change its regulatinns, which exempt Internet service providers from some local telephone network access charges.

German engineering workers demonstrate outside a steel plant in Duisburg following the collapse of crisis talks on Wednesday between the IG Metall union and the employers over sick pay and other social entitlements. They were among more than 400,000 workers who yesterday downed tools to join nationwide protests in the most forceful demonstration so far of the country's rapidly deteriorating labour relations. The engineering employers' federation said the strikes caused "massive production losses and lasting damage" to Germany as a manufacturing centre. Report, Page 24; EU jobs report blocked, Page 16 Picture: Reuter

Fresh approach may spark battle to control Cepa

By John Ridding in Hong Kong and James Kynge in Kuala Lumpur

A contest for Consolidated Electric Power Asia developed yesterday when it emerged that the Hong Kong-based power group had been approached by a third party, thought to be Malaysia's YTL Corporation.

The news comes just two weeks after Hopewell Holdings, the property and infrastructure company which has a majority stake in Cepa, agreed a US$2.7bn bid from Southern Company of the US. Shares in Cepa, Asia's pioneering power producer, rose HK$0.10 to HK$17.95, on top of an increase of about 20 per cent since Hopewell announced plans to cede control.

In a statement to the Hong Kong Stock Exchange yesterday, Cepa said that since the deal with Southern, it had been approached by a company seeking the possible acquisition of a controlling stake. However, it said no offer or formal proposal had been received.

Mr Gordon Wu, founder and executive chairman of Cepa, told reporters in Manila that YTL was the company in question. The Malaysian company would not comment, while Southern said it hoped that its agreement with Cepa would go ahead.

Analysts in Hong Kong were guarded about the prospects of Cepa being wrested from Southern. "I think that would be difficult. It is unclear whether YTL could top what is already a pretty generous price," said one, referring to the HK$18.50-a-share offer from the US group. "A key question is whether Hopewell would be able to accept an offer which did not involve a general offer to shareholders," said Ms Alice Hui, analyst at W. I. Carr. She said YTL, which has a market capitalisation roughly the same as Cepa, might be seeking a minority stake.

In Kuala Lumpur, analysts said the acquisition of Cepa would be a big strategic step for YTL, which is Malaysia's first independent power producer. It holds a lucrative contract to sell electricity to Tenaga Nasional, the state utility, for 21 years from March 1995.

While financing such a deal would be funded from YTL's strong balance sheet, observers questioned whether it could afford to pursue Cepa while it plans to take a 51 per cent stake in Zimbabwe's state-owned Hwange power station, in a deal valued at US$580m.

Hopewell's sale of Cepa has been motivated partly by its need to raise funds for its infrastructure projects in Thailand and China, and by its debt burden.

The group's annual report, published this week, revealed total debts at the end of June atood at HK$28.6bn whila its net debt to equity ratio had risen from 62 per cent on June 30 1995 to 92 per cent.

Philips president orders drastic overhaul

By Gordon Cramb in Eindhoven

Philips, Europe's largest electronics company, is to shed lossmaking units and prune management layers in a drastic overhaul ordered yesterday by Mr Cor Boonstra, its new president.

The reforms will cost Fl 1bn ($586m), to be taken as a write-off against the Dutch-based group's already depleted earnings this year. It could also mean the spin-off of one or more profitable divisions into separate quoted companies.

Making an unscheduled appearance at a press conference called to announce a 77.2 per cent slide in third-quarter net earnings to Fl 123m, Mr Boonstra was trenchant both in describing the problems and saying how they should be remedied. "We could refer to price erosion, we could talk about our competitive environment. My message to you is another. We are not blaming the market, we are not blaming competition. We are blaming us. Our management is accountable for this third quarter.

"The people in our factories have had their work measured and gone through efficiency drives," he noted. "In this reorganisation the focus will be on management layers, the quality of management, and better marketing and sales."

He said that Mr Jan Timmer, his predecessor who stepped down at the end of last month, had "embedded the company with the culture of change, but we clearly overestimated our capacity to grow. We were too optimistic in, for example, growing our organisational costs to meet our expectations instead of taking reality into account".

In six years as Philips chief Mr Timmer took the group to record profits from what Mr Boonstra acknowledged was "the danger of bankruptcy" - that is not the case today".

The group shed thousands of

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More than 400,000 workers down tools to protest at 20% sick pay cut

Engineering strikes engulf Germany

By Wolfgang Münchau in Frankfurt

More than 400,000 German engineering workers yesterday downed tools to join nationwide protests in the most forceful demonstration so far of the country's rapidly deteriorating labour relations.

Gesamtmetall, the engineering employers federation, said the strikes caused "massive production losses and lasting damage" to Germany as a manufacturing centre.

The day of strikes and marches follows the breakdown on Wednesday of crisis talks between employers and unions over sick pay and other social entitlements. The failure to agree a deal has led employers to question the future of regional wage bargaining, a hallmark of the German social market economy.

IG Metall, the engineering union, targeted yesterday's demonstrations on North Rhine-Westphalia, the country's industrial heartland, where 187,000 workers in 750 companies staged a full-day strike.

In Baden-Württemberg, a centre for the engineering industry, around 120,000 workers walked out for several hours.

Workers at Westfalenhütte, a Dortmund steel company, ignited a controlled "warning fire" in front of the company's gates to express their anger and to keep warm.

Mercedes-Benz, the car and truck maker, was one of the main targets, with 32,000 workers taking part in the demonstrations. Several other famous names of German industry were affected by the strikes, including Audi and Bosch.

At Blohm + Voss, the Hamburg shipyard, workers carried placards encouraging colleagues "to preserve the inheritance of our fathers", a reference to a strike which began 40 years ago yesterday in which German steelworkers secured a contractual sick pay guarantee which was later enshrined in law.

The guarantee stated that workers are entitled to 100 per cent of total pay – including overtime and bonuses – when ill. A recent change in German law lowers the guarantee to 80 per cent, but employers faced nationwide protests when they tried to move their workers on to the new legal minimum.

The determination with which German trade unionists are defending the 100 per cent sick pay scheme was summed up yesterday by a Blohm + Voss worker who insisted that the issue was one "over which we don't even talk".

Yesterday's demonstration were the second this month: more than 100,000 workers walked out on October 1, the day the new sick pay law took effect.

IG Metall announced yesterday that the dispute had led to a surge in membership. The union, already the world's largest, with close to 3m members, has recruited over 10,000 members this month.

Gesamtmetall said yesterday's action "demonstrates to domestic and foreign investors that the preservation of social entitlements counts more than competitiveness". It said 142,000 jobs had been lost over the last 12 months because they were too expensive.

The sick pay dispute is an opening skirmish in a battle which will ultimately be over the welfare state itself. IG Metall fears that a defeat would open the floodgates for further welfare cuts and a dismantling of the country's corporatist labour structures, including the system of wage negotiations.

Germany's practice of employer federations and trade unions negotiating labour agreements that are binding for the vast majority of companies in the sector is unique among the world's leading industrial nations. The deals allow for slight regional variations, but do not allow companies to negotiate at plant level.

Federations such as Gesamtmetall are torn between rising scepticism among their members and a wish to preserve a system that has given rise to their own existence.

In defence of the status quo, the federation argues that companies would otherwise need to create their own industrial relations infrastructure to deal with wage increases, working hours and fringe benefits. They would also risk being exposed to targeted action by IG Metall.

Labour relations in the engineering industry have traditionally been difficult because of the disparate interests the sector represents.

Kinnock may force cut in EU airfares

By Caroline Southey in Brussels

Mr Neil Kinnock, the European commissioner for transport, yesterday threatened to order airlines to withdraw airfares deemed to be too expensive, as part of a crackdown on high ticket prices across the EU.

Mr Kinnock warned that some charges within the EU "could be described as excessive". The overcharging was confined to fully flexible tickets, as a rise in promotional fares and more charter flights meant tbat over 90 per cent of passengers were paying lower fares compared with three years ago.

Mr Kinnock's threat prompted an angry response from the airline industry. "The Commission's reaction is misguided," said Mr David Henderson, manager for information for the Association of European Airlines.

He blamed the high level of fares on high costs for airport and other services, such as ground handling and air traffic control. "The Commission should he doing something ahout the fact that new entrants cannot come and push down prices hecause costs are so high."

Mr Kinnock said the Commission had not yet identified the airfares it would target. But Commission figures released yesterday showed that fares on flights to and from German airports – including internal flights and those to other EU destinations – ranked the highest.

Mr Henderson said the Commissioo was "looking at the wrong figures" – in some instances high fares simply reflected the fact that operating costs in that country were high. "There are a lot of factual errors in the figures," he said.

Mr Kinnock's threat followed the release of a report on the impact of three years' of air liberalisation in the EU. The final phase in opening EU air transport to competition is due to be fully in place by April 1997.

Mr Kinnock said the drive against high airfares would include ordering airlines to withdraw tickets deemed to tco expensive. The Commission has never exercised powers given to it three years ago to order withdrawals. He also threatened to use EU competition rules harring companies from holding dominant positions and price-fixing. Mr Kinnock admitted tackling high air fares would also involve reducing airlines' operating costs to allow new entrants into the market.

The report on the progress of liberalisation showed that the number of routes had increased from 490 to 520 during the last three years, while there had been a rise in the numher of routes served by two operators to 30 per cent and a three-fold increase in the number of routes served by at least three operators.

Airfares most affected hy greater competition were on flights from Brussels to Madrid, Barcelona, Milan, Rome, Vienna and Copenhagen and from London to Paris, Amsterdam, Brussels and Frankfurt.

A warship in dock at Sevastopol, Crimea. Russia's lower house said Moscow would never hand over the port Reuter

Russian and Ukrainian leaders calm tension on Black Sea fleet

By Chrystia Freeland in Moscow and Matthew Kaminski in Kiev

The Ukrainian and Russian presidents yesterday calmed tensions over the division of the Black Sea Fleet, hut the two leaders would not give details of a final deal.

Mr Leonid Knchma, ths Ukrainian president, held a hastily arranged meeting with Mr Boris Yeltsin, his Russian counterpart, in an effort to salvage a relationship seriously shaken hy two inflammatory laws passed by the Russian parliament this week.

Mr Kuchma and a Kremlin spokesman said the 30-minute discussion had resolved the long-running disagreement over tha division and headquarters of the 600 vessels in the Black Sea fleet.

Mr Kuchma said Mr Victor Chernomyrdin, the Russian premier, would travel to Kiev before mid-November to sign a final deal.

Neither side gava details of the new agreement, raising fears that the dispute, which has clouded Ukrainian-Russian relations since the collapse of the Soviet Union in 1991, could linger on.

Over the past two years, Mr Yeltsin has planned six trips to Kiev to sign a broad-ranging friendship treaty, hut unresolved issues, particularly the struggle over the fleet, have forced the cancellation of each scheduled visit.

Mr Kuchma said that his Rnssian counterpart had pledged he would come to Kiev before the end of the year to sign the long-awaited treaty.

Yesterday's impromptu Slavic snmmit also underscored the Ukrainian belief that Mr Yeltsin is the main guarantor of peaceful relations between the two states and Kiev's concern that the Kremlin leader's poor health could jeopardise the two countries nervous co-existance.

"Boris Nikolaevich Yeltsin is needed not only in Russia, especially under the current circumstances. Ukraine needs Boris Nikolaevich too. The world needs Boris Nikolaevich," Mr Knchma said.

The Ukrainian leader said that Mr Yeltsin seemed to be more fit than he had been during his August 9 inauguration, the last time the president appeared in public.

Kiev has been especially upset by two decisions overwhelmingly endorsed by the Russian parliament this week: a law warning that Russia will never cede control of Sevastopol, the Black Sea Fleet's Crimean port, and a draft law passed yesterday which seeks to stop the division of the fleet.

The measure followed statements from the Moscow mayor, Mr Yuri Luzhkov, and Mr Alexander Lebed, tha former Russian security chief, that Sevastopol remained a Russia city.

Vienna in drive to win public over to Emu

By William Hall in Vienna

The Austrian government is planning a campaign to persuade an increasingly sceptical Austrian electorate of the advantages of joining the proposed single European currency.

Mr Franz Vranitzky, the chancellor, said his government's recent setback in the European elections, when the far-right Freedom party of Mr Jorg Haider won nearly 28 per ceot of the vote, had oot shaken its firm determination to be among the founder members of the single currency in 1999.

But in an interview, he admitted that the Freedom party's success had made the task more difficult. He said it signalled an urgent need for the leaders of Austria's "social partnership" to play a more active role in explaining the advantages of Austria's planned membership of the oew currency.

He also hinted that Austria planned to take more concrete measures to offset the negative sbort-term economic costs of the move to a single curreocy.

Mr Vranitzky said it was important that the move to monetary union was accompanied by more aggresslve efforts to create employment. "If we leave our people alone with monetary ohjectives which they can hardly understand, and which they believe do not add much to their lives, then they will not buy a new European currency."

Mr Vranitzky said this was his country's most important political challenge and it would be a decisive factor in Austria's next general election campaign, likely to coincide with the start of a single currency.

He said the government had to persuade Austrians that aloog the road to Emu the government was also taking supporting policy initiatives in areas such as employment, infrastructure, research and development and education.

Mr Vranitzky stressed that any new policy initiatives would not be allowed to undermine Austria's commitment to meet the Maastricht convergence criteria. The budget for 1996 and 1997 had already heen set and would not be re-opened. In 1998, Austria would continue to pursue a "very careful" budget strategy.

Although there has been concern about the size of the budget deficit, the Austrian chancellor said his country would have "no prohlem meeting its public debt targets on tima". He denied unexpectedly slow growth in the economy would make it more difficult to meet the convergence criteria.

● Tha Freedom party yesterday rejected offers to link up with Flemish and French rightwingers to estahlish an anti-Maastricht faction in the European Parliament.

EUROPEAN NEWS DIGEST

Fresh scandal hits Gaullists

The French prime minister's office has reimbursed Air France, which had paid the salary of one of its senior political employees for more than two years, in the latest scandal to touch the ruling Gaullist RPR party.

It has repaid the national airline more than FFr1m ($190,000) in salary and social security contributions paid to Mr Dominique Tiberi in his role as head of the private office of Mr Roger Romani, minister for parliamentary relations. The information places new pressure on Mr Jean Tiberi, Dominique's father, the RPR politician who took over as mayor of Paris following the election to the presidency last May of Mr Jacques Chirac, his RPR predecessor.

The details also help confirm long-standing allegations about "fake salaries" paid by Air France to a series of political appointees, most of whom never worked for the company.

Other advisers paid by Air France included Mr Gérard Colé, the former head of the French lottery who is now under investigation for corruption allegations. This inquiry led to the discovery of payments to other individuals, and has triggered a separate, wider inquiry opened by the Paris public prosecutor. *Andrew Jack, Paris*

Spending in France down

French household spending on manufactured goods fell 1.5 per cent in September, in spite of a second consecutive strong monthly increase in purchases of new cars, according to figures published yesterday by Insee, the national statistics institute.

The decline did not prevent household consumption for the third quarter as a whole from registering a reasonably strong 2.6 per cent increase. But it augured badly for the final quarter, when car sales are expected to be significantly lower, following the expiry on September 30 of a government incentive scheme for new car buyers. Household consumption in September was still more than 4 per cent up on September 1995.

By sector, consumption of textiles and leather was down 10.5 per cent from August (and 9.9 per cent from September 1995), while spending on household goods such as televisions and hi-fi equipment fell 6.3 per cent (3.5 per cent). Purchases of cars rose 18.8 per cent, after a similar 18.4 per cent increase in August. *David Owen, Paris*

Funereal protest in Madrid

Madrid traffic slowed to a funereal pace yesterday as private-sector undertakers brought their hearses to demonstrate in the manner they know best – a solemn procession. A grim cortege of 2,000 vehicles, according to the organisers, rolled from the stadium of Spanish league champions Atlético de Madrid to the economy ministry to protest against the obstacles local councils are putting in the way of competition.

The centre-right government approved measures in June to liberalise the funeral business, ending council-controlled monopolies in cities like Madrid. But it left it up to town halls to decide the rules. In Madrid this means undertakers have to own at least 30 hearses, have 4,000 coffins in stock and be locally-based.

Companies say they are prepared to go on a hunger strike if conditions are not eased. *David White, Madrid*

Poland scales down tax cuts

Poland's parliament yesterday voted to cut income tax next year for the lowest-income groups, in a defeat for the former communist Left [illegible] Alliance (SLD), the senior partner in the ruling coalition, which had proposed cutting tax rates for all wage earners.

The Polish Peasant party (PSL), the junior coalition partner, sided with the opposition Freedom Union against the SLD in a move described by Mr Wlodzimierz Cimoszewicz, the prime minister, as "demagogic and populist".

The tax cuts are estimated to add 260m zlotys to next year's budget deficit, which was originally set at 11.3bn zlotys or 2.6 per cent of GDP. Yesterday Ms Hanna Gronkiewicz Waltz, the head of the National Bank of Poland, the central bank, said it would have to follow a tight money policy if the target of 13 per cent annual inflation was to be reached. *Christopher Bobinski, Warsaw*

Ryanair advert condemned

The Advertising Standards Authority for Ireland said it upheld complaints by pilots about a Ryanair advertisement featuring a hijacked Sudan Airways jet on the tarmac at London's Stansted airport with the slogan "It's amazing what lengths people will go to fly cheaper than Ryanair". ASAI said the advert lacked a sense of responsibility to consumers and society. Pilots had complained it was bad taste to capitalise on the misfortune of another airline and said it could be seen as an incitement to commit crime. Ryanair argued the hijacking had raised public awareness of the airport and had ended without injury or loss of life. *Reuter, Dublin*

■ French police yesterday morning arrested a dozen people in connection with investigations into the explosion at the town hall of Bordeaux this month, for which Corsican nationalists claimed responsibility. *Andrew Jack, Paris*

■ Bulgaria's Securities and Stock Exchange Commission yesterday suspended trading in all 19 quoted companies after they failed to meet legal requirements. The exchange said none had complied with new rules obliging public companies to submit to the SSEC by September 19 a detailed report on the size and distribution of their capital and their shareholders. *Reuter, Sofia*

Leader of the Jiu Valley miners brushes up his image ahead of race for the Romanian Senate

'People's man' cuts a dash for the voters

Five years ago Miron Cozma stormed tha Romanian parliament at the head of a column of truncheon-wielding miners and informed terrified MPs that his men intended to impose "order".

It was the start of three dsys of miner-led riots that toppled Romania's first democratically elected government in half a century.

Mr Cozma hopes to address parliament again soon: he is running for the Senate in next month's general elections, Romania's third since the collapse of communism.

He still heads the feared Jiu Valley miners, as well as several other unions, but cuts a very different kind of figure these days. Dressed in a smart suit and silk tie with a diamond ring on his finger, he travels in a swish Renault Laguna, stopping to hand out red carnations, election pins and schcol notebooks to the waiting crowds.

His platform is vague. "I am a fighter," he says without apparent irony. "The people [union members] have chosen me to represent their interests and this is what I do. I am my people's man."

This has considerable resonance in the Jiu Valley, Romania's main coal mining area, deep in the Carpathian mountains, eight hours' drive west of Bucharest.

Under Mr Cozma, restructuring of the loss-making mines has been minimal and ths valley's 42,000 miners have kept many privileges. They pay no rent and only token power hills, receive free meals and transport, and are among the country's best paid employees.

This has helped the heavily subsidised local coal company run up dehts of about $200m – a huge sum in a country where the average monthly pay is just $100.

Mr Valeriu Butulescu, one of Mr Cozma's rivals in the Senate race, says the mines' problems are symptomatic of the leftist government's flawed economic policy – that rather than promoting investment and establishing adequate social security, it has allowsd industry to remain overstaffed and technically backward.

"The higgest prohlem [in the mines] is that ahout 80 per cent of expenses go on pay, leaving no money for modernisation. Productivity is very low, there is little mechanisation and conditions are primitive," he says.

Mr Butulescu is the local leader of the Social Democratic Union, a pro-reform alliance led by Mr Petre Roman, the former prime minister whose government the miners overthrew. It now appears to have a good chance of forming a coalition government with the centre-right Democratic Convention, Romania's other main opposition group.

Mr Cozma is standing as an independent, although he is seen as politically close to the governing Party of Social Democracy.

The events surrounding the miners' hloody incursions on Bucharest in 1990 and 1991 have never been fully clarified but many believe that President Ion Iliescu and his supporters summoned Mr Cozma and his men to the capital.

After miner-led riots in June 1990 which left several psople desd, Mr Iliescn stunned the world by thanking the miners – an incident that led to his government's international isolation.

But these days Mr Cozma is one of the last people Mr Iliescu - who is running for a third term in presidsntial elections also due on November 3 - wants to be associated with. The president and his party, the core of the group of former communists that have held power since the overthrow of the Ceausescu regime in 1989, now portray thamselves as moderates, dedicated to reform, building social peace, and to speeding Romania's membership of Nato and the EU.

A persistent undertone in tha governing team's election message is that an opposition government would bring chaos to Romania and that it alone is capable of maintaining stability and keeping the likes of Mr Cozma's miners under control.

The opposition is also seeking to change its image. At the last elections in 1992, it lacked unity, was dominated by former dissidents and intellectuals, was virulently anti-communist and distrusted those who had held senior positions under the Ceausescu regime.

It is now much more realistic. In June's local elections, for example, an opposition party won hy a landslide the mayor's race in Petrosani, the largest of the Jiu Valley's mining towns and Mr Cozma's base, which would havs been inconceivable four years ago.

Virginia Marsh on Miron Cozma's efforts on Romania's hustings

Miron [illegible] miners in [illegible] dential [illegible] with [illegible] 1991

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Portugal in transport sell-off

By Peter Wise in Lisbon

Portngel's socialist government is to implement a sweeping privatisation programme for the country's transport system, involving the sale of a controlling stake in the main motorway network and private sector involvement in the state airline, railways, ports, airports and roadbuilding.

"We want our transport systems to operate on a competitive basis by separating the management of infrastructure from the operation of services," said Mr João Cravinho, minister for planning and public works. "Independent regulators will be set up to ensure fair and efficient competition."

The plan includes the privatisation of Brisa, Portugal's motorway monopoly – currently 90 per cent government-controlled – Ana, the airport authority, and TAP, Air Portugal, the national airline, Mr Cravinho said in an interview.

Private-sector companies would also almost certainly be involved in the finance, construction and operation of e second Lisbon airport, he said. The government would begin choosing a site for the airport, one of Portugal's biggest infrastructure projects to date, next year.

Caminhos de Ferro Portugueses (CP), the state railway monopoly, is to be split into two state-owned companies by the beginning of 1997 – one to manage track and other infrastructure, the other to run trains.

Management concessions would be granted to private-sector groups to operate some suburban and regional linea. Build, operate and transfer contracts for light suburban railways, or metros, would also be put out to tender in several areas.

Companies such as cement or chemical groups would be able to submit proposals to run their own trains over the state-owned railway.

Bids for two concessions to build and operste toll motorways in the western and northern regions of Portugal are to be sought in November and January, respectively. The contracts involve investments totalling Es200bn ($1.3bn) over the next three years.

"Shadow tolling" is to be introduced in areas where traffic is low and the tolls required to make motorweys commercially viable would be punitively high. Operators will count cars as normal and bill the state for the respective tolls.

"The advantage of this system is that the stete finances the construction of motorwsys over 20 years rather than in two or three," said Mr Cravinho. "By involving the privste sector, more will be invested in transport systems without substantially increasing the level of state finance."

A timetable is yet to be fixed for the sale of Brisa. The state will keep e minority bolding.

Ana, the airport authority is to be restructured before privetisation. Air traffic control will remain under state control. Operation of airports will come under private manegement and an independent regulator set up for the sector.

Mr Cravinbo said the government would seek a strategic partnar for TAP next year in an alliance that could involve the sale of a minority stake in the airline. KLM Royal Dutch Airlines and Swissair bave been reported among the potential partners.

The commercial operation of Portugal's sea ports is also to come under private management, regulated by a central port enthority, be said.

Call for EU-wide network

By Charles Batchelor, Transport Correspondent

The European Commission ahould set np a European Infrastructure Agency to overcome obstacles delaying implementetion of e Ecn400bn (£321bn) programme of pan-European transport networks, the Federal Trust, e London-based think tank said yesterday.

Tbe agency would be a high-level body which could call on the expertise of the commission, the European Investment Bank, the European Investment Fund, member governments and the private sector to promote projects, the trust, which specialises in issues of integration, said.

The agency would encourage a more rational choice of priorities for carrying ont the projects; would encourage new sources of finance including public equity and private infrastructure funds; and would foster the development of transnational operating companies.

Private Portnerships nnd Public Networks in Europe. Sweet & Marwell. Tel +44 1264 342828. £15.95.

Macedonia in London Club debt deal

By Kevin Done and Kerin Hope in Skopje

The London Club of International Banks has reached agreement in principle with Mscedonia on repaying its share of former Yugoslavia's total foreign commercial bank debt of $5.6bn.

The deal marks significant progress for the commercial banks' efforts to recover their loans following the breakup of former Yugoslavia in 1991 and its subsequent default.

Macedonia has agreed to take on 5.4 per cent of the principal and 3.65 per cent of the interest on former Yugoslavia's debt arising from the 1988 New Financing Arrangement (NFA), the last debt rescheduling agreed by Belgrade with the banks.

In return it will be released from the onerous joint and several liebility clause in the NFA, which made each borrower liable for the whole debt.

Tbe agreement follows deals reached by the banks with Slovenia and Croatie and will open the way for Macedonia to gain access to international capital markets for the first time since becoming an indapendent state in 1991.

Mr Ljube Trpeski, Macedonian deputy prime minister and leader of the debt negotiations, said the country would assume around $280m in principal and intereat. Under the deal egreed in New York, Macedonia is planning to issue bonds in exchange for its share of the debt, and has been granted significant debt servicing concessions by the banks.

The bonds, which are to be listed on the Luxembourg stock exchange, will be paid back over 15 years with an initial four-year grsce period. The interest rate will be Libor plus 13/16, but this will be reduced to 3.5 per cent in the first two years and to 3.75 per cent in the subsequent two years.

Mr Trpeski said Macedonia would now seek a rating from the International credit rating agencies.

Denmark opens railway to competition

By Hilary Barnes in Copenhagen

The Danish government yesterday announced plans to reorganise the heavily subsidised state monopoly railway system and to open the railways to competition from Danish and foreign operators for both passenger and freight.

DSB, the state railway agency, is to be dismantled from January 1. A new state agency will become responsible for the track and will put maintenance out to tender.

The intar-city rail routes and Copenhagen commuter rail service run by DSB will become joint atock companies owned by DSB and operating on commercial terms.

Mr Jan Trojborg, the transport minister, said yesterday that the two companies would not be privatised.

Market financing of the two rail service companies will enable DSB to bring forward s DKr8bn ($1.35bn) investment in 112 new trains for the Copenhagen commuter service – the first trains have already been delivered by Germany's Adtranz.

SJ, the Swedish state railway service company, is expected to become the first foreign railway to operate on Danisb track when the DKr15bn road/rail fixed link across the Oresund, the straits separating Sweden from Denmark, is opened in 2000.

SJ will be able to operate its own trains to tbe ferries between the southern Danish island of Lolland and Germany and to run trains on the Greet Belt bridge-and-tunnel, roed/rail link under construction between Sjlland and the Jutland peninsula.

Concern over arms delivery to Bosnia

By Laura Silber in Sarajevo and Bruce Clark in London

The biggest shipment so far of US arms to Bosnia arrived yesterday as Washington's effort to force a merger between the Moslem-led Bosnian army and Bosnian Croat forces moved into high gear.

Mr James Pardew, the US envoy in charge of the "equip and train" programme, said the shipment would "create a military balance in order to secure a lasting peace in the region".

Yesterday's $100m shipment – which included 45 battle tanks, 79 armoured personnel carriers, 45,100 M-16 and 800 M-60 machine guns together with ammunition and communications gear – arrived at the port of Ploce.

But the $400m US-led programme has sparked controversy in Europe, where senior diplomats stress that arms reduction would be a better route to stability.

Germany's Ambassador Michael Steiner, a senior envoy to Bosnia, said yesterday: "The 'equip and train' programme arouses suspicions on the Serb side that the international community is one-sided and helps the other side get stronger.

"But we must balance this with the fact that the Bosnian Serbs have a huge military advantage and are not moving on reduction."

The shipment arrived amid growing signs of confusion, and US-European tension, over the numbers and role of a military force in or around Bosnia next year.

Mr Carl Bildt, the international mediator, has insisted that the main function of a follow-on force must be to prevent renewed war.

In an oblique criticism of the "equip-and-train" programme, he is understood to have insisted, during a visit to Nato this week, "Deterrence cannot be achieved by adjusting the internal balance of power." He has said peacekeeping troops, include some Americans, must stay in Bosnia.

A large body of US opinion, especially on the political right, has questioned whether any western ground troops would be needed if the Bosnian government were properly equipped to wage war against the Serbs.

Bosnian officials have said they reserve the right to go back to war if the Serb side refuses to fulfil its part of the Dayton agreement by allowing refugees to return.

A likely flashpoint for any return to war is the area round the town of Brcko, in the corridor linking Serb-held northern Bosnia with Serbia.

If the Serbs lose control of Brcko, their possession of the stronghold of Banja Luka could also be threatened.

Kwasniewski in Nato assurance

By Bruce Clark, Diplomatic Correspondent

Prasident Alexander Kwasniewski of Poland, in an assurance to Russia and Ukraina, said yesterday his country saw no reason why nuclear weapons should be deployed on its soil when it joins Nato.

Mr Kwasniewski, who is visiting Britain to drive home Poland's keenness for early memberahip of the European Union and Nato, also urged the Atlantic alliance to draw up a charter to govern its relations with Ukraine, similar to the one which Russia has been offered.

In a speech to the Royal Institute of International Affairs, the Polish leader insisted that his country's prospective membership of Nato would enhance rather than threaten the stability of neighbouring countries.

On tactical nuclear warheads, whose possible deployment eastwards would cause grave concern in Kiev and Moscow, he said: "We perceive no security requirement for stationing nuclear weapons on Poliah territory."

The Polish president edded that it was "unnecessary and misleading" to raise the subject of nuclear weapons in the context of his country'a application to join Nato.

His words fell alightly short of a pledge not to accept the deployment of nuclear weapons in any circumstances. As e member of Nato, Poland would have to accept the alliance's military doctrina which foresees e tactical role for US and UK nuclear weapons in certain extreme circumstances.

Mr Kwasniewski said thet Nato eniargement could have "serious consequences" unless it was accompanied by measures to strengthen the security of Ukraine. This was an apparent reference to Russia's threats to assemble the former Soviet republics, and possibly other countries, in a new alliance to counter an expanded Nato.

Divided Israelis remember Rabin

By Judy Dempsey in Jerusalem

When Mr Yitzhak Rabin was assassinated almost a year ago there was more than an outpouring of grief.

His death united Israeli society. Left and right put aside their differences as Israel tried to come to terms with an assassination carried out by a Jew, and one which called into question the future of a permanent peace settlement with the Palestinians.

That unity proved ephemeral. The Israel that yesterday commemorated his death has become polarised.

Since the narrow election last May of Mr Benjamin Netanyahu as prime minister, Israeli society has become locked in a bitter struggle between advocates of a secular, liberal state willing to trade peace and prosperity for land, and an Orthodox tendency which believes that none of the land held by the Israeli state should be surrendered.

These divisions were encapsulated yesterday by the country's left and right-wing youth movements.

Betar, the right-wing youth group, said it would not sing, at a memorial planned for Sunday, the "Song of Peace", the lyrics Mr Rabin sang at the peace rally in Tel Aviv just before his assassination. Mr Yair Klinger, the musical director of the liberal Tel Aviv Scouts Group, said the song was a fitting commemoration. But Betar said it was too closely identified with the left, particularly since it was used as Labour's campaign song in the elections. Moreover, Mr Eldad Halahmi, head of Betar, said the song contained anti-religious lyrics and words, such as "let go of the fallen," which, he said, degraded Israeli soldiers who had died.

But the dispute over the "Song of Peace" also represents a deep rift in the society. Since it was a Jew who killed Mr Rabin, each side has tried to blame the other for his assassination which was so inextricably tied to the peace debate.

The left has blamed the rabble-rousing anti-peace movement on the right who, before the elections, often burned Mr Rabin's effigy, for fomenting hatred.

The right has blamed the left for adopting the moral high ground by suggesting the right must take responsibility for his death – and the future of the peace process.

The verbal assaults are accompanied with an increasing number of death threats against leading politicians. Left wingers, including Mr Shimon Peres, the Labour leader and Mrs Dalia Itzik, a labour peace campaigner, branded as Nazis, while Mr Netanyahu has received letters branding him a traitor if he redeploys Israeli troops from Hebron.

Mr Amoz Oz, the writer, yesterday attempted to transcend the discord and hatred now heard in restaurants, in banks, in the streets and in offices. "Yitzhak Rabin did not fall in the battle for peace," he wrote in Yediot Aharonot, a popular daily newspaper. "He died in the battle for our identity."

Rabin's widow Leah, left, with her son Yuval and daughter Dalia Ben-Artzi Filosof at the memorial ceremony Reuter

US cash eases crisis at UN

By Michael Littlejohns, United Nations Correspondent, in New York

A substantial transfer of funds by the US over the last few weeks has helped to relieve the United Nations' cash crisis, reducing the total owed by member states to a "mere" $2.5bn.

But Mr Joseph Connor, the chief financial officer, still must juggle accounts to keep the organisation afloat.

Since July he has been raiding the UN peacekeeping treasury just to meet day-to-day UN running costs.

Although the US has agreed to pay all $313m of its regular budget dues for 1996, the UN is having to wait until the end of December for two-thirds of it and another month for the remainder, he told the UN financial committee.

Thus, the world body would end the year $103m in the red – better than the $243m Mr Connor previously predicted. But that will escalate almost immediately by more than $1bn, when 1997 assessments fall due in January.

Including money owed to the peacekeeping account to reimburse 90 states that have provided troops and equipment, the US will still be in arrears at year end by more than $1.3bn, despite recent late payments to the account of more than $195m.

The Republican-led US Congress irked western countries that pay their UN contributions in full and on time by cutting unilaterally the American share of peacekeeping costs, by imposing strict conditions for payment. These included a demand that UN staff be trimmed by 10 per cent, a virtual no-growth regular budget and cuts of $100m for trade and economic programmes, conference services and press relations.

Mr Connor claims to have saved $600m through staff cuts and programme reductions.

Kazakhstan's sale of the century

It may have been corrupt and chaotic, but it was sell or die for state industry

Going once, gone, as the Kazakhs say.

Kazakhstan has sold off 30 of its largest state enterprises in the past year, including prime oil producers and metal smelters, coal mines and power plants, sectors that took European governments years to sell – if they dared touch them at all. Another handful of big oil and gas companies, two mines, and a dozen other enterprises are to go under the hammer in the next few months.

"This is not a government afraid of major steps," said Mr Michael Wilson, resident partner of Baker & McKenzie, the law firm. "Business can be done, if at times at frightening speed."

Speed differentiates Kazakhstan's privatisation more than anything. One company asked a consultancy to submit a proposal for a three week legal and commercial investigation for a bid. Two days later the consultancy found out that the company had already won the bid.

The sales have provided a life-saving injection of cash into many comatose enterprises, such as the rundown network of power plants that has left Kazakhstan's 17m people in the cold and dark in recent power failures.

"Our energy sector is in deep trouble," said Mr Yusif Duberman, deputy chairman of Kazakhstan's privatisation committee. "When they are sold to private companies with deep pockets, they revive. People get their salaries paid, production revives."

The sales have been marked as much by speed as by scandal. Some very large and viable enterprises have been sold off quietly for as little as $20m, giving rise to accusations that additional sums passed hands under the table. Some deals have come undone as quickly as they have been made, and even transparent tenders have fallen victim to a political tug-of-war, leaving investors frustrated and suspicious.

"In the end it's probably a plus," one western lawyer in Almaty, the capital, said. "Privatisation is lurching along. But progress is greased by bribes, chaos and threats of violence."

A majority stake in Kaz-Khrom, a conglomerate of two large ferro-alloy smelters and a chrome mine, sold for as little as $36.8m last year in a closed tender without serious competitive bids. Its new owner, Eurasiabank, told shareholders that Kaz-Khrom made a profit of $143.5m that same year. Eurasiabank, funded by Trans-World, the London-based metal trader, also bought majority stakes in an alumina plant for $20m, and in an iron ore mine for $46m.

"That's filthily cheap," said Mr Don Nicholson, a government adviser for Deloitte & Touche, the accountants. "It does not smell right."

"We don't put great value on the sum that ends up in the budget, but on the investments into the enterprise," Mr Duberman said. "We left ourselves vulnerable to accusations of selling the nation's wealth for pennies," he added. "But if we don't sell the enterprises cheaply they will go to waste – and that means they are completely worthless."

Eurasiabank pledged to invest $398m in Kaz-Khrom, but privatisation experts object that no audit firm has been hired to keep track of investments. "What independent body will verify whether the money pledged is actually invested?" Mr Nicholson said.

"Shedding more light on things like this," Mr Nicholson added, "would be in their best interest. Every foreign investor is asking the same questions."

One thing the Kazakhs have learnt is that open, transparent tenders attract higher bids than sales behind closed doors. A highly public sale of the Yuzhneftegaz oil production association to Hurricane Hydrocarbons of Canada netted $120m, plus $280m in investments that will be monitored by independent auditors. Exxon and Texaco, the US oil companies, are expected to bid even more for the Atkyubemunaigaz association when bids are due on November 1.

Power struggles within the government put even these deals at risk, however. When Samson International, a US oil producer, won a tender for Yuzhneftegaz, the ministry for oil and gas, which opposed the sale, insisted that existing Yuzhneftegaz joint ventures which were pumping at the northern half of the field be excluded from the sale. Samson walked out; Hurricane is still negotiating with the venture partners.

At times, officials took months to negotiate a contract after they had selected a winning bidder. "A bid is not the last and final offer here," said Mr Don Templin, resident partner for Price Waterhouse. "The advisers were asked to clarify the bid – try to get better terms. I don't know whether that's worse or better, but it's different from what the western companies had expected."

Privatisation experts in Almaty say that officials have become less frantic, more organised and more realistic in recent tenders.

"I don't think they ever really understood the concept of due diligence. We've had a hard time teaching them that a share purchase agreement is more than four pages long," one consultant said. "They now understand that once they sell a company they sell the whole thing – assets and liabilities – and they understand they no longer have control over what goes on there."

The biggest drawback for Kazakhstan has been the lukewarm interest among foreign investors. Even some open tenders, such as for the Shimkent refinery, drew only one serious bid.

"They could have got better bids," one western lawyer insisted, "by making the process more defined, by adhering to the few rules that exist."

Sander Thoenes

Privatisation in Kazakhstan

Companies sold	Sector	Price ($m)	Investment and pledge ($m)
KarMet (assets only)	Steel smelter	225	[illegible]
Yuzhneftegaz*	Oil producer	120	280
Shimkentnefteorgsintez*	Oil refinery	60	350
KaragandaShakhtUgol	Coal mines	30	[illegible]
Pavlodar Alumina	Alumina plant	20	[illegible]
Zhezkazgantsvetmet	Copper smelter	40	302
Karagandinskaya-II Tets	Power plant	1	436.5
Ermakov GRES	Power plant	15	682
Companies for sale			
Aktyubemunaigaz (Aktyubinskneft)	Oil producer		
Mangistaumunaigaz	Oil producer		
Karagandinskaya GRES	Power plant		
Karagandarezinotekhnika	Fan belts		
Kazakhgaz	Liquid gas		
Atyrausky	Oil refinery		

*Contracts have yet to be signed, price agreement signed
Note: Most sales include pledges for payments of outstanding debts
Source: State Property Committee of Kazakhstan

NEWS: AMERICAS

Perot will not drop out of race

By Jurek Martin in Washington

US ELECTIONS
November 5

Mr Ross Perot yesterday dismissed as "weird and inconsequential" an ovarture from Mr Bob Dole's campaign asking him to drop out of the presidential race and endorse the Republican candidate. He refused to reveal the details of his Wednesday night conversation with Mr Scott Reed, Mr Dole's senior aide, but said: "I will campaign to the bitter end. We have to stay the course. Let's grow up between now and November and focus on the real issues."

Mr Dole himself flatly refused to comment yesterday on the initiative, but, leaving his Florida hotel, admitted he was "frustrated" that he appeared unable to cut into President Bill Clinton's double digit lead in the opinion polls.

But the initiative took even the chairman of the Republican committee by surprise and was widely seen by friend and foe as an act of desperation by the Republican candidate.

Mr Perot, standard bearer of his own Reform party, is pulling only 5-7 points in the polls, well below the 19 per cent of the popular vote he won as an independent in 1992. But he insisted yesterday that if the country voted according to its conscience, he would do far better. "Don't throw away your vote in '96," he pleaded. "Vote for the only group that can make these [necessary] changes. The two main parties can't make these changes."

In a speech prior to answering quastions, Mr Perot launched a scathing attack on Mr Clinton's ethics and competence in government. He sounded more like a Republican in condemning White House invitations to drug dealers and the Democratic party's acceptance of campaign contributions from Indonesian and South Korean conglomerates.

But he also criticised Mr Dole for accepting donations from the Fanjul family of Florida, wealthy sugar merchants, and said it was apparent both parties were in hock to special interests.

The Clinton campaign could hardly contain its glee over Mr Dole's approach to Mr Perot and did not expect it would be accepted. It was, officials pointed out, at Mr Dole's insistence that Mr Perot was excluded from the two presidential debates out of fear that he would siphon support away from the Republican contender.

Mr Haley Barbour, the party chairman, who knew nothing abont the overture, could only repeat yesterday: "One thing is clear: a vote for Perot is a vote for Clinton." Even senior campaign aides travelling with Mr Dole were unaware that Mr Reed had flown to Dallas to talk to Mr Perot.

Most polls suggest that Reform party members have no clear preference for Mr Dole over Mr Clinton. But Mr Perot might help Mr Dole in his native Texas, where the race remains uncomfortably close for the Republican candidate, as well as some western states, where he ran well in 1992 but where the president now enjoys sizeable advantages.

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Drugs tide rises around the Caribbean

Island states are split over how to tackle what they see as a US problem, writes **Canute James**

The increasing use of Trinidad and Tobago by drug traffickers to ship narcotics from South to North America is causing mounting worry in the islands. The concern has reached such a pitch in the government that Mr Basdeo Panday, tha prime minister, has invited the US Drug Enforcement Agency to open an office in Trinidad.

About 40 per cent, or 200,000kg a year, of the cocaine smuggled into the US now passes through the islands of the Caribbean, twice as much as five years ago, according to US government estimates.

However, the region is divided over controversial US proposals for fighting smugglers. While some countries have agreed to allow US law anforcement agencies to use their territorial waters and air space to pursue suspected smugglers, others remain uneasy.

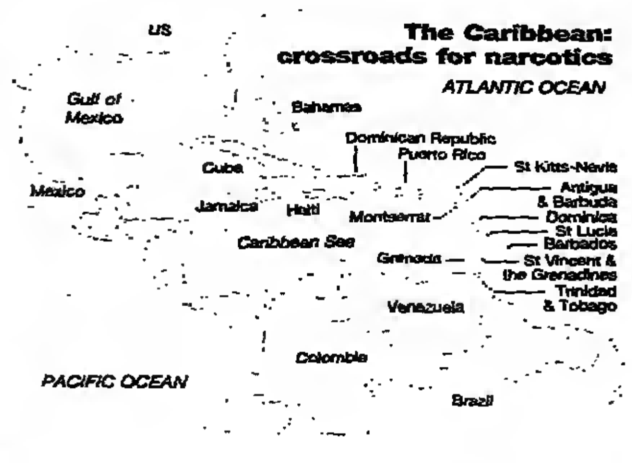
"Ship rider" or "hot pursuit" agreements allow US agents and vessels to operate in the territorial waters and airspace of other countries, if a local official (the "ship rider") is present. US aircraft are allowed into the country's airspace and to forca suspicious aircraft to land.

Several nations bave signed the agreements, saying they cannot fight traffickers without foreign help. Others bave balked, claiming they are concerned ebout the violation of their sovereignty, and about legal problems with forelgo law enforcement agents operating within their jurisdiction.

"Small countries like ours do not have the resources to fight the cartels, and their financial strength is greater than that of our national economies," said Mr Denzil Douglas, prime minister of St Kitts-Nevis. His government has signed e ship rider agreement. "We are pawns in this game as we are situated between the suppliers and the consumers."

Caribbean leaders have frequently complaioed that the problem is theirs only because of geography, and that it is the US which should be providing the region with the means to combat the problem.

"The US has not given us the resources to fight the traffickers, hut has been expecting us to spend money to do this," said Mr Lester Bird, prime minister of Antigua-Barbuda, which has also signed the egreement. "There is a disposition in the US which says that if we do not sign, we are not being co-operative." Other countries which have signed are the Bahamas, Dominica, the Dominican Republic, Grenada, St Lucia, St Vincent and Trinidad and Tobago.



Smugglers use the islands increasingly to transship narcotics bound for the US

Those which have rejected the proposals claim they are at odds with aspects of their legislation. "Jamaica is prepared to co-operate with all countries on the problem of drug interdiction and drug trafficking, hut in respect of our territorial space our sovereignty has to be maintained," said Mr Percival Patterson, the prime minister. "This is a matter that has to be dealt with by the Jamaican security forces."

Barbedos has similar concerns. Said Mr Owen Arthur, the prime minister: "There ere still matters of an entirely legal character that have not yet been resolved in our minds to put us in a condition to feel comfortable about signing the agreement. There is more to fighting drug trafficking than the ship rider agreement."

Such differences bave not prevented Jamaica and Barbados from reaching egreements with the US for co-operation between their lew enforcement agencies in fighting smugglers, particularly outside their 12-mile maritime zone.

Evidence is growing that although the narcotics which come into the islands are meant mainly for transshipment, increasing quantities are being used locally and with damaging effect in the region, leading to higher levels of violent crime.

Eight out of every 10 crimes committed in Trinidad and Tobago are related to narcotics, said Mr Pandey. Situated just off the South American coast, Trinidad and Tobago is a convenient first stop for traffickers, and an estimated 1,000kg of cocaine passes through every month, he said.

Two years ago St Kitts-Nevis, with e populetion of 45,000 people, was shaken by the disappearance of a former diplomat, who was a representative of banks being investigated for money leundering, and by aeveral drug-related murders.

In Mr Panday's view, arguing national sovereignty as one basis for rejecting the ehip rider agreement is not the best approach. "We must revisit this concept of sovereignty in the modern world to fight the drug cartels. We must move eway from a 19th century concept of eovereignty before we lose our sovereignty to the cartels."

For Sir James Mitchsll, prime minister of St Vincent, the ship rider agreements offer a solution in more ways than one. He said the US, and not his government, was now responsible for fighting the smugglers.

"I want to be able to blame the US for wbat is happening because they say we are not doing enough," he said. "If any drugs are passing through our country and going into tha US, then the US agencies have the authority by sky and sea to deal with it. The ball is in their court and not in mine."

AMERICAN NEWS DIGEST

Falkland oil licences due

The Falkland Islands government will award on Monday the first licences to drill for oil in the waters around the islands, disputed between Britain and Argentina. Bidding is understood to bave been concentrated beavily in the zone to the north of the islands, where 12 of the 19 blocks on offer are sited. The other seven are to the south and southeast.

Six international consortia, comprising 14 companies, made bids, including a joint venture between the Argentine oil company YPF and British Gas, with YPF as the junior partner. The government hopes exploration can begin aarly next year.

The technical merits of the bids hava been scrutinised by the British Geological Survey in Edinburgh, which is advising the Falklands government. Tha UK and Argentina reached an agreement on oil exploration in September last year. *Stephen Fidler, London*

Argentine accusations fly

The open warfare thet has erupted between Mr Domingo Cavallo, Argentina's former economy minister, and the country's government intensified yesterdsy when Mr Alberto Kohan, secretary-general to the presidency, said Mr Cavallo's attitude "came close to treason".

Mr Kohan told Clarin newspaper that Mr Cavallo had lied when he testified before a judge earlier this week that Mr Kohan had known that bribes were paid to secure a $249m computer contract for IBM by state-owned Banco Nación. Mr Juan Carlos Cattáneo, Mr Kohan's assistant, was in April indicted on charges of defrauding the state in the IBM-Banco Nación affair.

Mr Kohan also denied Mr Cavallo's testimony that the two men had held a meeting with President Carlos Menem to discuss the IBM case. Mr Menem has also rejected the claim. *David Pilling, Buenos Aires*

Unions target Toronto

Canadian trade unions have called a "day of action" today in Toronto, the country's largest city, in protest at spending cuts and the pro-business policies of Ontario's conservative government.

Providers of some essential services, including public transport, have applied for court injunctions requiring employees to show up for work. Howaver, union members have refused to cross picket lines, and widespread disruption is expected, including at the city's international airport.

The provincial government has shed thousands of civil service jobs as part of its drive to balance the budget by 2001. It has also cut welfare payments by 23 per cent, strengthened employers' legal rights, eased environmental restrictions and begun a sweeping privatisation programme. *Bernard Simon, Toronto*

Peru strongman seen in public

Mr Vladimiro Montesinos, Peru's shadowy strongman, has emerged to attend briefings in Lima's government palace during this week's visit to Peru by US drugs policy chief General Barry McCaffrey.

Mr Montesinos, the effective bead of Peru's national intelligence service, has been accused by a drugs baron known as "El Vaticano" of having taken kickbacks from Peru's illegal cocaina trade.

Since tha allegations, whicb were subsequently withdrawn, he has been under intense media pressure to make his first public appearance in some six years. Although declining President Alberto Fujimori's suggestion that he give a television interview, Mr Montesinos seems to have achieved total rehabilitation. Gen McCaffrey reportedly shook his hand warmly and praised him as an "outstanding and knowledgeable strategist". *Sally Bowen, Lima*

NEWS: ASIA-PACIFIC

Today's budget set to keep grip on inflation

Malaysia deficit likely to shrink

By James Kynge in Kuala Lumpur

The Malaysian government announces its 1997 budget today and economists are predicting the country's worrying current account deficit will shrink significantly this year, thereby dispelling one of the main concerns of stock market investors.

Several economists at think tanks and brokerage houses predicted last night that the budget would not be expansionary and was likely to be either neutral or slightly deflationary.

Its aim, they said, would be to keep the economy expanding at above 8 per cent in 1997 but keep inflation in check. Growth this year is officially forecast at 8.3 per cent.

An influential think tank revised downward its forecast for the shortfall in the current account, which measures the flow of goods, services and short-term capital.

The Malaysian Institute of Economic Research (MIER) said the deficit for this year would be M$15.27bn ($6.1bn), a sharp downward revision from the M$19.2bn it forecast earlier this year.

The deficit last year was M$17.8bn, or 8.8 per cent of gross national product. The overwhelming concern of foreign investors this year has been whether the deficit would swell out of control. The task of judging this has not been easy because Malaysia rarely releases figures on its trade in services, where it traditionally incurs the heaviest deficit.

Improvement in the services balance is expected to be slow, but a significantly more favourable merchandise trade picture is expected to alleviate current account worries.

"The positive trend of a falling current account deficit as a percentage of gross national product is definitely there," Mr Stephen Weller, director of Pesaka Jardine Fleming in Kuala Lumpur, said. "Our forecast for 1997 is that it will be under the magic 5 per cent."

Dr Mahathir Mohamad, the prime minister, has said the reduction of non-essential imports is to be the main thrust of the budget today. Officials said he was referring to manufacturing components which are currently imported but capable of being replaced by locally made products.

For foreign corporate investors, one issue of intense interest is whether Mr Anwar Ibrahim, the deputy prime minister and finance minister, will announce a widely expected 2 per cent cut in corporate tax from 30 per cent now.

Officials said Mr Anwar was expected to unveil incentives to companies trying to climb the technology ladder, in line with the nation's economic masterplan to seek growth over the next five years mainly by capital investment and productivity gains.

Chavalit fails to impress Thai traders

By Ted Bardacke in Bangkok

Thai voters still have more than three weeks to decide who they want to become their next prime minister. But the stock market, courted heavily this week by leading candidates, has already decided it does not like Gen Chavalit Yongchaiyudh, leader of the New Aspiration party and a front-runner for the premiership.

Yesterday Gen Chavalit attempted to counter criticism that he lacked a coherent plan to restore confidence in Thailand's battered financial markets by speaking to a small group of foreign fund managers via a satellite video conference. It did not appear to work.

He said interest rates were too high but noted they were set by the market and, as prime minister, he could not lower them. He stressed the country was in need of stable administration but offered little hope that he could keep a fractious coalition government united.

And he pledged to appoint outside technocrats to key economic ministries but was unable to come up with names for specific positions.

"I just heard him talk for three hours and I still don't know what he's going to do," said one fund manager. However, Gen Chavalit did distinguish himself from Mr Banharn Silpa-archa, the lame-duck prime minister, by appearing well-versed in basic economic concepts.

"The basic problem is he doesn't have a team clearly thinking out what they want to do and how they might do it," the fund manager said.

This view contrasted sharply with the impression left by Mr Tarrin Nimmanahaeminda and Mr Supachai Panitchpakdi, Democrat party economic heavyweights, who addressed a campaign rally earlier in the week at the headquarters of the stock exchange.

The two, tipped to recover their former posts of finance minister and deputy prime minister for international economic affairs respectively, told a cheering crowd of stock market officials and brokerage house employees that the Democrats would focus on restoring the independence of capital market regulators, who, over the past year, have been subject to political interference by the Banharn government.

'I heard him talk for three hours and I still don't know what he's going to do'

This move would help restore confidence in economic management and augment the flow of foreign funds to Thailand. Mr Tarrin said, with the resulting liquidity helping to push down interest rates.

Mr Supachai pledged to foreign brokers that a Democrat government would offer some short-term remedial measures to boost Thailand's flagging export performance while focusing on the development of a long-term industrial policy and capital market liberalisation.

Australia television 'pacts' under fire

By Nikki Tait in Sydney

The Australian Consumer and Competition Commission watchdog yesterday began legal proceedings against Mr Kerry Packer's Nine Network and Seven Network, run by Mr Kerry Stokes, the Perth-based businessman.

Also targeted was Golden West Network, the West Australian regional broadcaster owned by Mr Stokes, following an unsuccessful effort to sell GWN to Seven earlier this year. The commission is concerned about how far competition may be restricted in the Darwin television market and Western Australia.

The watchdog alleges agreements between GWN, Seven, Nine, and various subsidiaries in the past year, the first an exclusive 15-year programming supply arrangement, allegedly set up between Nine and GWN to October last year.

The second was another alleged programme supply agreement between Territory Television, a Darwin-based subsidiary of Nine Network, and Amalgamated Television, a Seven offshoot.

The commission claims Nine and Seven came to an understanding Nine would not pursue any further commercial television licences for regional Western Australia, while Seven would withdraw its expression of interest for the second commercial television licence in the Darwin area.

"Pecuniary penalties" and injunctions are being sought against the parties involved, and declarations that the agreements contravene the Trade Practices Act.

Newcomers reach for Japan's skies

Michiyo Nakamoto reports on a domestic challenge to the big airlines

Flying between cities in Japan is often a crowded, uncomfortable and costly affair. For decades, air travellers have had a limited choice of airlines and rates have been fixed by stringent regulations. A lack of airport space, tough environmental and safety rules and a regulation-happy bureaucracy have frustrated hopes of increasing capacity on the busiest routes.

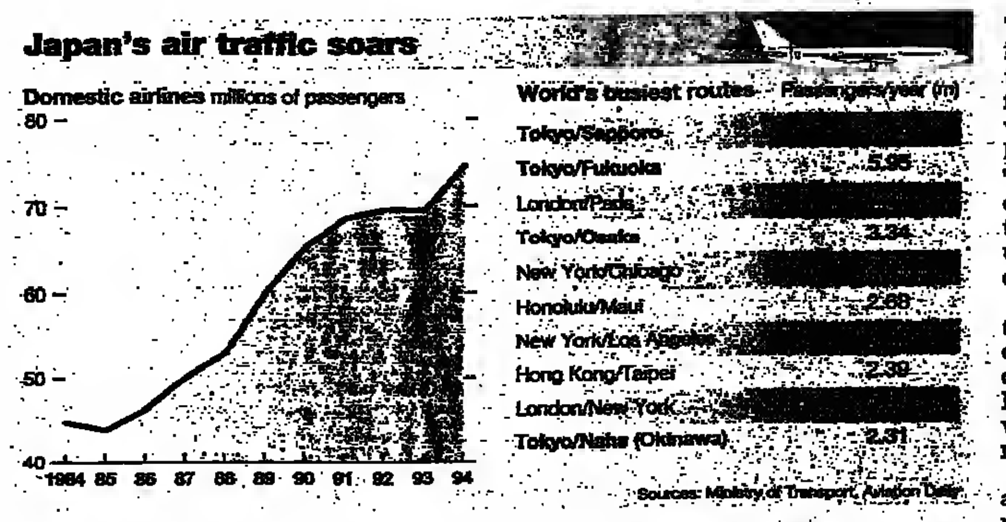
But the emergence of two prospective entrants into the Japanese domestic airline market last week, coupled with recent deregulation, have raised hopes that consumers may at last reap the benefits of competition.

On October 14 Mr Hideo Sawada, president of HIS, the largest discount travel agent in Japan, announced plans to set up an airline to serve the Tokyo-Sapporo route and slash by as much as a half the rates charged by the large domestic carriers, All Nippon Airways, Japan Airlines and Japan Air System.

This was quickly followed by an announcement that a consortium of small companies based in Hokkaido also planned to operate a cut-price air service on the same route.

If the plans go ahead, the airlines would be the first independent carriers to be established in Japan in more than 40 years.

The new entrants, particularly Mr Sawada, have fuelled expectations that change is afoot in the industry. HIS is well known for pioneering discount international travel and Mr Sawada has long portrayed himself as a champion of consumer interests.



"When we started this business, international air fares were very high. We took up the challenge and now international air fares have come down tremendously," he said. But while Japanese travellers have seen the benefits of competition in international travel, domestic air fares have remained high.

For example, a regular round trip ticket from Tokyo to the southern city of Fukuoka 900km away costs about Y53,000 ($469). For not much more it is possible to buy a discounted ticket from Tokyo to Los Angeles.

"I think it is possible to reduce fares, and so we decided to take up the challenge. Somebody has to, or else nothing will change," Mr Sawada said.

Much of the blame for domestic high costs has been pinned on strict regulations, which have curbed competition and kept costs punishingly high.

The ministry of transport, whose apparent role has been to give out permits and licences rather than formulate policy, has kept a tight lid on the number of airlines operating in the domestic market. Only routes which have annual passenger traffic exceeding 400,000 can be served by two airlines and only those with more than 700,000 passengers can have three.

Airport fees are among the highest in the world and Japanese airlines complain that in return for slots on lucrative routes they are forced to take on unprofitable routes with low passenger traffic.

The airlines' high costs have also made them increasingly uncompetitive in international markets, forcing them to turn to the domestic market to raise profits.

Critics claim that Japanese airlines must do more to reduce costs, and even the ministry warns that the airlines' very survival is at risk. "The world is moving towards open skies and Japan cannot remain isolated from that trend," Mr Sawada pointed out. "Japanese airlines must prepare for the time when foreign airlines enter the domestic market," by stimulating greater competition.

Against this background, and amid a national drive to deregulate domestic markets and revitalise the Japanese economy, the transport ministry has signalled its readiness to ease rules governing airlines. This year it adopted a system allowing airlines to set their own rates within a 25 per cent band.

But so far the ministry's cautious attempts to deregulate the market have been too limited to have any real impact on competition. Indeed, rather than encourage price competition, the new system led to an overall increase in fares. Since the airlines had little incentive to lower prices in a market where capacity is highly regulated, they raised them instead.

It is hoped the new entrants can provide the kind of cut-throat competition needed to shake things up in the industry.

Both Mr Sawada and Mr Teruo Hamada, who is leading the Hokkaido consortium, are planning to apply for new landing slots which will become available at Haneda, which serves Tokyo. They believe foreign crews, contracting out maintenance and making better use of information technology are all ways to cut costs.

It is a fair bet that despite the still substantial bureaucratic red tape and the high costs they must bear, at least one of the companies will start flights within the next two years.

Publicly, the main airlines and authorities express support for the new entrants.

The question, however, is whether the trend will become widespread enough to change the entire nature of Japan's domestic airline industry.

The smaller airlines would have difficulty surviving if the big carriers met them with lower prices, particularly if the newcomers incurred their wrath by expanding into other routes. In the US, for example, People's Express had initial success as a cut-price airline serving the busy Los Angeles-San Francisco route, but because it lacked a network it did not survive long in the face of a fare reduction by United Airlines.

Analysts believe that, for the newcomers to become a true force in the market, the ministry needs to ease rules further, increase capacity significantly, along the busier routes and provide more slots to enable them to build a network.

Without such support, competition on the Tokyo-Sapporo route is likely to remain an isolated development.

Corruption crackdown hits privileged families

Life gets harder for China's 'princelings'

By John Ridding in Hong Kong

Times are getting tougher for some of China's "princelings", the privileged sons and daughters of the ruling élite who have acquired wealth through business and political connections.

Last week, Beijing prosecutors said they had filed corruption charges against Mr Zhou Beifang, former head of the Hong Kong operations of Shougang, one of China's biggest business groups with interests from steel to property.

Jiang Zemin: champions spiritual values campaign

Mr Zhou faces charges of accepting and offering bribes and of concealing properties. Mainland newspapers have referred to his life of "luxury and rottenness" while in Hong Kong, before his arrest last year. Also involved are two former officials of the Beijing city government.

The charges against Mr Zhou, the son of Mr Zhou Guanwu, former chairman and communist party secretary at Shougang, are among the first to be levelled against a "princeling". They come amid a national clampdown on corruption and a spiritual values campaign championed by President Jiang Zemin.

The crackdown on corruption and a move against conspicuous consumption are not the only problems they face. Power shifts in Beijing mean that family connections can lose their clout and commercial benefits.

One example is the extended family of Mr Deng Xiaoping, China's ailing paramount leader. Several of his relatives have lost positions in business or the military as the influence of their ultimate patron has waned.

In August, Mr Wu Jianchang, a son-in-law of Mr Deng, was replaced as chairman of Zhuhai Shining Metals Group, a metals trading and investment group based in the southern special economic zone of Zhuhai.

Last weekend, it emerged that Major-General He Ping, another son-in-law, had resigned as director of the armament department in the People's Liberation Army, apparently after failure to secure a desired promotion.

In Hong Kong, Mr Deng's second son, Mr Deng Zhifang, resigned this year from the board of Shougang Concord Grand, part of Shougang's Hong Kong interests which was headed until last year by Mr Zhou Beifang. The loss-making property company said the mova was to allow Deng Jr, an associate of Mr Zhou, to spend more time on his mainland interests.

"Some family ties don't work the way they did," one analyst at a Hong Kong bank said. "But your father or brother can still be a big factor in business and there are still plenty of mainlanders making big money in Hong Kong."

The sleek Shougang Concord launch moored outside the Aberdeen boat club supports this view. For others at least, if not for Mr Zhou, the good times are far from over.

NZ central bank hints at monetary easing

By Terry Hall in Wellington

The New Zealand dollar and wholesale interest rates fell sharply yesterday after the Reserve Bank hinted at an easing of monetary policy.

The markets were reacting to a surprise statement from the bank, which said policy had "become a little firmer than needed for the task of keeping inflation below the target range of 2 per cent".

There has been a big inflow of ovarseas funds since the indecisive general election on October 12, and the New Zealand dollar has risen to an eight-year high against both the US and Japanese currencies.

Investors, mainly from Europe and Asia, have been chasing high interest rates, and the Reserve Bank had been seen as unwilling to relax monetary policy until talks on a coalition government were resolved.

Last week tbe central bank responded to an unexpectedly low 2.4 per cent inflation figure for the September quarter – which was 0.3 points lower than it and other forecasters had predicted – by saying it saw no grounds for too rapid an easing of policy.

However, in its statement yesterday the Reserve Bank said the "sharp exchange rate appreciation" of recent days had been accompanied by a relatively small drop in interest rates which had led to a marked tightening in overall monetary conditions.

The bank said it could see no requirement for monetary policy to have firmed as much as it had in recent days.

"Unfortunately, in order to keep overall monetary conditions consistent with maintaining price stability, it appears we have to accept rather less interest rate pressura than might be ideal, and rather more exchange rate pressure than might be ideal."

The announcament saw the New Zealand dollar fall by one cent against the Australian and US currencies. The 90-day bill rate, which had been above 10 per cent before the election, fell to 9.07 per cent. Ten-year government stock fell during the day from 7.46 to 7.33 per cent.

The stock exchange also rallied strongly. Before the announcement the NZSE top 40 was down nine points, but it closed up 32 points at 2,311.

ASIA-PACIFIC NEWS DIGEST

Plea for 'light hand' on HK

China must govern Hong Kong with a light hand if the colony is to thrive after it returns to Chinese control next year, Mr Christopher Patten, governor of the colony, said yesterday.

He told a conference in Edinburgh that Hong Kong would continue to thrive if it was allowed to pursue broadly the same economic and social policies as it had now, and if it retained its existing political and administrative structure.

A further condition of success was that Hong Kong retained its opposition to "corruption and cronyism", Mr Patten said, and that the people of the colony were prepared to stand up for the values "that have made the city great". These included "a distinct reluctance to whinge".

Mr Patten said China had every reason to want a successful transition. It would gain "enormous face in showing Hong Kong can do even better under China than under Britain". *James Buxton, Edinburgh*

Car output up in Japan

Japan's car industry output inched ahead by 0.3 per cent in the half-year to September, the first six-monthly rise in six years, providing the latest evidence of a gentle economic recovery.

According to the Japan Automobile Manufacturers' Association, the country produced 4.9m vehicles during the period. Output was helped by a last-minute spurt, 7.3 per cent up in September alone, attributed to the launch of a range of sports utility cars and sedans in that month.

Other data released yesterday added evidence of a rise in consumer spending. Sales at supermarkets rose 0.9 per cent in September, the first increase in three months, according to industry figures. Food sales had been hit by a poisoning epidemic during the summer. Department stores, less reliant on food, did better, with a 2.3 per cent rise in sales in September against the same month last year. *William Dawkins, Tokyo*

Australian wage rises slow

Wage inflation in Australia slowed to 3.5 per cent year-on-year in August, sccording to data published yesterday, prompting financial markets to speculate that a further interest rate cut would be possible before Christmas.

The 3.5 per cent rise in average weekly earnings represented a deceleration from the 3.9 per cent figure posted in the previous quarter, and was lower than the 3.7-3.8 per cent expected by most analysts. Ths wages data are particularly significant because tha Reserve Bank of Australia recently indicated that its main concern in interest rate policy was the level of wage settlements. *Nikki Tait, Sydney*

Central bank warns Bhutto

Pakistan's central bank yesterday warned the government of Ms Benazir Bhutto, prime minister to avoid "slippages" in meeting important economic targets.

The warning, in the bank's annual report, is a sign of its growing independence under its governor, Mr Muhammad Yaqub, a respected former IMF economist.

The report was released a day before an IMF mission is due to arrive in Islamabad. It comes at a time when Pakistan is urging the Fund to revive a $600m standby loan, which was stalled in June following IMF disapproval of economic policies. *Farhan Bokhari, Karachi*

India quick to cut rates

Indian banks and financial institutions have moved quickly to cut lending rates following an easing of monetary policy at the weekend.

The State Bank of India, the country's largest commercial bank, said it would cut its benchmark prime lending rate by 1 point to 14.5 per cent from November 1.

The three leading development finance institutions – Industrial Development Bank, Industrial Credit and Investment Corp and Shipping Credit and Investment Corp – have also decided to cut their prime rates by 0.5 point to 16.5 per cent immediately. They also reduced the cap on interest rates above the prime rate to 3.5 points from 4 points. *Tony Tassell, Bombay*

Charting future flight path for restructured Airbus

Ross Tieman outlines the European consortium's challenge when it becomes a stand-alone company

Deprived of both a stock market profile and the status accorded a national technology champion, European aircraft manufacturer Airbus Industrie has struggled for a decade or more to win public recognition of its success.

The four-nation consortium has supplanted McDonnell Douglas of the US as the world's second largest civil jet-maker, and is now locked in a bruising battla with Boeing for the top slot in the world's airliner market.

Subsidies are no longer an issue. The challenge now is to turn Airbus from an alliance of European aerospace companies into a stand-alone business capable of fighting Boeing on equal terms.

Tough negotiations are already under way on how best to achieve this among the partners – Aérospatiale of France and Daimler-Benz of Germany, with 37.9 per cent each, British Aerospace with 20 per cent and Casa of Spain, which has a 4.2 per cent interest.

Inspired by the determination of the French government to retain a place in the aerospace technology race, Airbus is now a business unlike any other.

Its stylish Toulouse headquartars is staffed by employees drawn from the partner companies. The aircraft are designed by collaborating teams, with Aérospatiala responsible for the cockpit, British Aerospace for the wings, and so on.

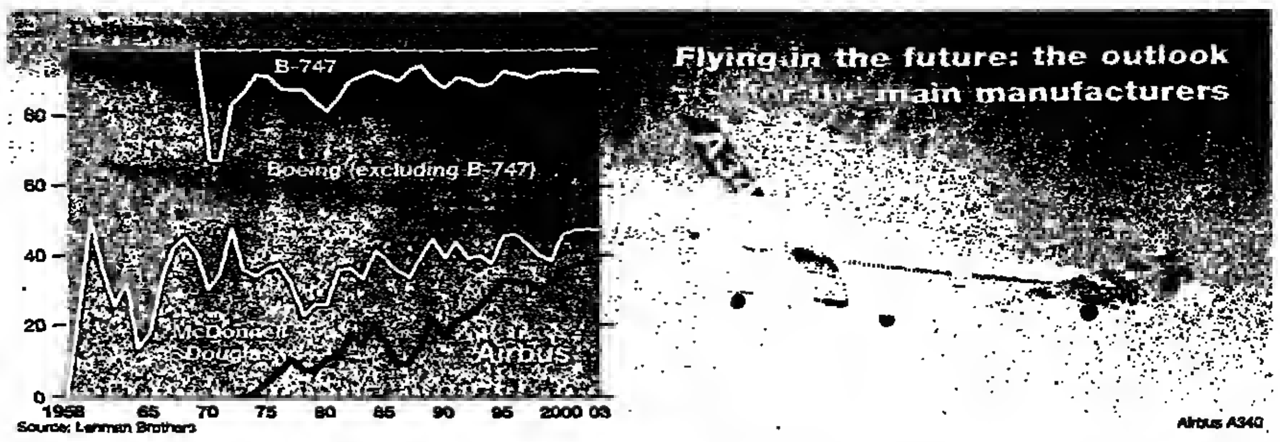
The partners are obliged to bid competitively to build sub-assemblies, yet receive work roughly equal to their equity in the consortium. It is an arrangement fraught with tensions, which haa nonetheless achieved a considerable commercial success.

Since its fouodation almost a quarter-century ago, Airbus has launched a range of aircraft that compete with Boeing in every sector of the airliner market from 125 seats to almost 400. Only Boeing's 747 jumbo remains unchallenged.

Airbus now commands around 30 per ceot of the airliner market outside the old Soviet Union. Boeing bas responded with aggressive cost-cutting and new model programmes.

But the ability of Airbus to drive down costs and raise finance is inhibited by its atructure. The issues have been brought to a head by the increasing importance of the business within the activities of its parents, and by the realisation that Airbus will have to pursue its plans for a super-jumbo to compete with the Boeing 747. This will require new partners, and a lot of money.

After a long review, the partners have agreed to turn Airbus into a single corporate antity by 1999. It is now expected that the parent companies will transfer the plants where they do work



on Airbus aircraft to Airbus Industrie. But progress is inhibited by argumeots over what assets to inject into Airbus, and at wbat price.

The sums at stake are enormous. In the first independent research report Lehman Brothers, the US investment bank, estimated thai on the streogth of its casb flow, market position and so on, Airbus could be worth \$15bn-\$18bn.

Lehman Brothers believes Airbus is both more efficient than widely acknowledged, and more profitable. Although Airbus has never poblished its financial results, Lebman estimates that after start-up losses totalling \$8bn, it has been profitable since 1993.

According to Lehman, Airbus is probably already achieving double-digit profit margins, and could already be recording a profit in excess of \$1bn.

Two factors point to a rapid acceleration of Airbus's profits in the near future. It bas a relatively modern range of aircraft, with programmes approaching maturity, in an industry with product life-cycles of 25 years or more. Equally, it will, with Boeing, benefit from the strong recovery in airliner demand.

These factors will increase the attractions of an eventual stock market listing that would enable the partners to realise a profit on their investments.

But incorporation and flotation could have far wider benefits. In the first place, it would provide the flexibility needed to bring new partners aboard, a matter of growing urgency.

To win orders in Asia, the world's fastest-growing aviation market, Airbus needs production links with China. Its planned super-jumbo, the A3XX, could be the vehicle. Yet links between the consortium partnars and the Chinese aviation industry are vested in a regional aircraft venture, Aero International Regional (AIR), comprising Aérospatiale, British Aerospace and Alenia of Italy. Airbus would have to establish more formal links with AIR and its partners, in both Europe and Asia.

Airbus also continues to suffer from the ability of the US government to apply greater political leverage in support of its champions in overseas markets. According to Lehman Brothers, one solution might he to take ovar McDonnell's civil aircraft business – a deal Boeing has already tried unsuccessfully to achieve itself.

Whatever the practicalities of a deal with McDonnell, it is clear that Airbus will need a more flexible structure to facilitate partnerships and fund-raising in tha future. The carrot of a cash windfall for the founding partners may serve to accelerate the process.

Boeing results, Page 17

End trade barriers, Apec urged

By Edward Luce in Manila

Asian business leaders yesterday urged their political counterparts in the 18-member Asia Pacific Economic Co-operation (Apec) forum to broaden Apec's scope and bring its trade liberalisation programme closer to the "real world".

In a report presented yesterday to President Fidel Ramos of the Philippines, chairman of Apec in 1996, the Apec business advisory council (Abac) told leaders to go beyond the goal of reducing tariffs on imports and pledge to eliminate other barriers to trade. Apec plans to eliminate all tariffs on trade by 2010 for developed countries and 2020 for developing members.

The report, "Apec means business", said Apec should extend its ambitions to include the dismantling of barriers to the free movement of people, goods, services and capital within the free trade group. Political leaders should also tackle less tangible but equally tiresome obstacles to trade within the region.

"Such restrictions continue to impede the conduct of business [in Apec]," it said. "These restrictions go well beyond tariffs and quotas encompassing a range of non-transparent and complex customs, immigration and other cross-border procedures."

The business group of 36 – two senior businessmen from each country, which includes Mr Gordon Wu, managing director of Hopewell Holdings of Hong Kong and Mr Frank Shrontz, chairman of Boeing – urged leaders to adopt their recommendations at the Apec heads of state meeting in Manila next month. The recommendations include the creation of an Apec business visa lasting five years and covering all Apec countries on one stamp.

The proposal, which would also set up special lanes for businessmen at immigration, calls for such a system to be put in to practice from January 1997. Some countries – such as Australia and the Philippines – have already agreed to adopt it then.

Abac, which was established at the Apec leaders meeting in Osaka last year, said the free trade forum should set up a central registry for patents and trademarks to boost the flow of technology within Apec.

Apec, which accounted for 46 per cent of global trade in 1995, should also work towards common professional standards in accountancy, architecture and law, said the report.

Apec comprises the US, Canada, Chile, Mexico, Thailand, Malaysia, Singapore, Brunei, the Philippines, Indonesia, Hong Kong, China, Taiwan, South Korea, Japan, Papua New Guinea, Australia and New Zealand.

Mexico enters talks with Mercosur group

By David Pilling in Buenos Aires and Daniel Dombey in Mexico City

Mexico has opened negotiations to become an associate member of Mercosur, the customs union which groups Brazil, Argentina, Uruguay and Paraguay.

An agreement is expected next year.

Mr Jaime Zabludovsky, Mexico's under secretary for international trade negotiations, said the current negotiations to put trade relations on a multilateral basis with the Mercosur countries were a transitional step to negotiating a full free trade accord.

Mexico would join Chile, which became an associate member last June. It would sign free trade agreements, but would not have to comply with Mercosur's external tariff regime. Mexico would be unable to do that, because of its membership of the North American Free Trade Agreement. The other Nafta members are Canada and the US.

Mr Zabludovsky said: "At the moment we have a set of bilateral agreements. We have to change those agreements to recognise that with Mercosur we are dealing with a customs union and that we should not have four separate bilateral agreements.

"If we do not have a fully fledged agreement in the future, our exports will be at a disadvantage."

An agreement would provide a bridge between the continent's two most important trade blocs by far, Nafta and Mercosur. It would also mark a tentative step towards the idea of hemispheric free trade from Alaska to Tierra del Fuego, a goal set in December 1994 at the so-called Summit of the Americas in Miami.

Mr Guido Di Tella, Argentina's foreign minister, acknowledged the dangers of advancing too fast with the expansion of Mercosur, which was only formally established as a customs union in January last year. "We are very aware that, when we consider geographical expansion, we run the risk of dilution," he said. "That is why we have to deepen at the same time."

Deepening meant reaching agreement within the four core Mercosur countries on matters such as standardising labour legislation and free trade in services.

In particular, he said, Argentina wished to push for an open-skies agreement. However, this could not to come into effect until the turn of the century when a monopoly granted to Aerolineas Argentinas, the privatised state carrier, expired.

Argentina and US take their troubles to WTO

By David Pilling

The US and Argentina are preparing to file complaints against each other before the World Trade Organisation, claiming unfair trade restrictions on products ranging from beef to sports shoes.

The US complaint centres on textiles and footwear, on which Argentina last year placed so-called specific import dnties of up to 125 per cent.

Argentina's action, which Washington claims violates maximum tariffs agreed in the Uruguay round, is aimed at curbing cheap Asian imports, but officials say it is also barming US exporters.

Washington saya that Argentina promised to lower thesa tariffs a year ago, bnt reneged on the agreement and is actually now proposing a three-year extension.

"We have a trade dispute with Argentina which we can't handle bilaterally, so wa naed to go to a multilateral organisation lika the WTO for arbitration," said a US diplomat.

Buenos Aires is threatening to file counter complaints before the WTO on what it regards as unfair US restrictions on the import of Argentine beef, seamlesa steel tubing and peanut butter.

The US, which because of baaltb concerns did not import Argentine beef for decades, recently agreed to import a 20,000-tonne quota following the sncoassful aradication of foot-and-month disease in Argentina. Buenos Aires claims the US is stalling on making good its promise.

Argentina also allegas that Washington is unfairly applying quotas to Argentine peannt butter and is using what it regards as spnriona dnmping allegations to block imports of seamless steel tubing.

US diplomats accnse Argentines of "getting out thalr laundry list and saying: 'All right, if that's your attitude, we're going to take you to the WTO too'."

"We are talking with the US now to try to avold reacbing that stage [the WTO]," said Mr Gnido Di Tella, Argentina's foreign minister.

Bnt neither side was optimistic that bilateral negotiations wonld be enough to rasolve the differences.

Spain pressed on telecoms

By Emma Tucker in Brussels

The European Commission is pressing Spain to speed liberalisation of its telecoms sector, in order to giva renewed impetus to talks within the World Trade Organisation on global telecoms liberalisation.

Brussels believes the move could galvanise Asian countries into improving their offer for telecoms liberalisation.

Under a previously negotiated deal, Spain was allowed to delay the opening of its telecoms markat by five years beyond the January 1 1998 deadline agreed for most EU countries. But in recent weeks Mr Rafael Aria Solgado, the Spanish telecommunications miniater, has signalled a readiness to abandon the delay.

Talks aimed at prising open world telecoms markets broke down last summer mainly because tha US did not feel tha offers from Asian countries were adequate. The US said this was partly because the European offers did not go far enough. It specifically mentioned Spain.

"What we want to try to do now is get the US and the Europeans to simultaneously improve their offer on a totally conditional basis in order to galvanise the Asians," said a Commission official.


Van Miert: issued threat to Spain's Telefonica

Spain is not the only country in tha EU with a let-out on telecoms liberalisation. However, tha EU is thought to have picked on Spain partly because of the size of its market, partly because it is the most likaly to give way on the five-year let-out, and partly becausa of a related competition deal that is under scrutiny by Brussels.

Mr Karel Van Miert, the competition commissioner, has warned that be may block Telefonica, Spain's national telephone company, from joining Unisource – an alliance of smaller European companies – unless Spain opens up its telecoms services and infrastructures to competition.

He is insisting Madrid agree to grant licences to new operators in 1998.

Ten years ago this Sunday, financial deregulation swept aside centuries of City tradition and emptied the floor of the Stock Exchange. **John Gapper** analyses the effects of the Big Bang

Painful struggle back to centre of world markets

Ten years after the series of financial deregulatioo measures culminating in the "Big Bang" of October 27 1986, the City of London is once more the world's leading international financial centre. Yet regaining its 19th-ceotury place in world markets has proved painful and costly for many.

In ooe sense, Big Bang achieved all that it was supposed to, in creating more open and liberalised markets and more modern investment banks in the UK. But tbe institutions that emerged from tbe struggle are overwhelmingly owned by overseas banks, and they have taken many of their tecbniques from Wall Street.

To preserve London's role as Europe's dominant centre for modern finance, many City institutions bave sougbt protection from better-capitalised and better-managed parenta. For those brokers, jobbers and merchant banks that tried to survive in new forms, tbere have beeo many harsh lessons.

At the time of Big Bang – the last of a series of measures that started with the end of exchange controls in 1979 and the deregulation deal struck between the Stock Exchange and the Department of Trade and Industry in 1983 – maoy of the oew City institutions simply had to hope for tbe best.

"We were jobbing oo a Friday with pencils and paper, and on the Mooday we traded with computers," says Mr Jooathan Davie, deputy chairman of Barclays' investment banking arm BZW. "We had coostructed a jumbo, but we were not quite sure if it would clear the hedge at the end of tbe runway."

The idea was to eod separation between jobbers, brokers and merchant banks, aod allow UK institutions to take on US investment baoks such as Morgan Stanley. These bad already had 10 years' experience of deregulation as a result of May Day in 1975 – the US market's own Big Bang.

The practice was differeot. Britisb firms found they had a number of inherited weaknesses:

■ Capital: Merchant banks had only small hidden reserves, and brokers retained little capital because they dealt on commission. The new institutions oot only found they had little experience of committing capital in a sophisticated way, but there was little to commit.

JOHN KEMP-WELCH

chairman, London Stock Exchange

'We had great fun living in a smaller, compartmentalised, local little warld. Now everything has changed'

■ Technology: Foreign banks that bought brokers, sucb as Unioo Bank of Switzerland, soon discovered years of under-investment in technology. "We had big difficulties with settlement, and we had to rebuild all the technology from the ground up," recalls Mr Rudi Mueller, cbairman of UBS in London.

■ Management: The task of integrating different cultures in the three parts of newly integrated firms was huge. "It took a great deal of time, patience and sweat to ideotify and blend the best aspects of eacb firm, rather than falling into the trap of: 'We have bought you, so you will do what we say,'" says Sir David Scholey of SBC Warburg.

There were ootable early casualties of mismatches between firms and failures to graft togetber. Among these were Citicorp's enormously expensive mistake in buying and then shutting the broker Scrimgeour Vickers.

Having to grapple with sucb tasks meant that the few firms that had elected to remain independent – notably the brokers Cazenove & Co and merchant banks such as N.M. Rothschild and Schroders – gained a comparative advantage.

"Big Bang gave us a huge opportunity," says Mr David Verey, chairman of the merchant bank Lazard Brothers, which did not integrate with a broker. "We were able to increase our market share by leaps and bounds, not because of our own brilliance, but because other people were diverted."

Yet in the past two years, the collapse of Barings and the takeover of S.G. Warburg have demonstrated bow difficult it was for the new UK investment banks to prosper in global markets.

Mr Derek Higgs, a former vice-chairman of S.G. Warburg, and the chairman of Prudential Portfolio Managers, says firms such as Warhurg were handicapped by the head start given to US firms by earlier liberalisation. They also lacked the strong and sophisticated bond trading arms of US firms.

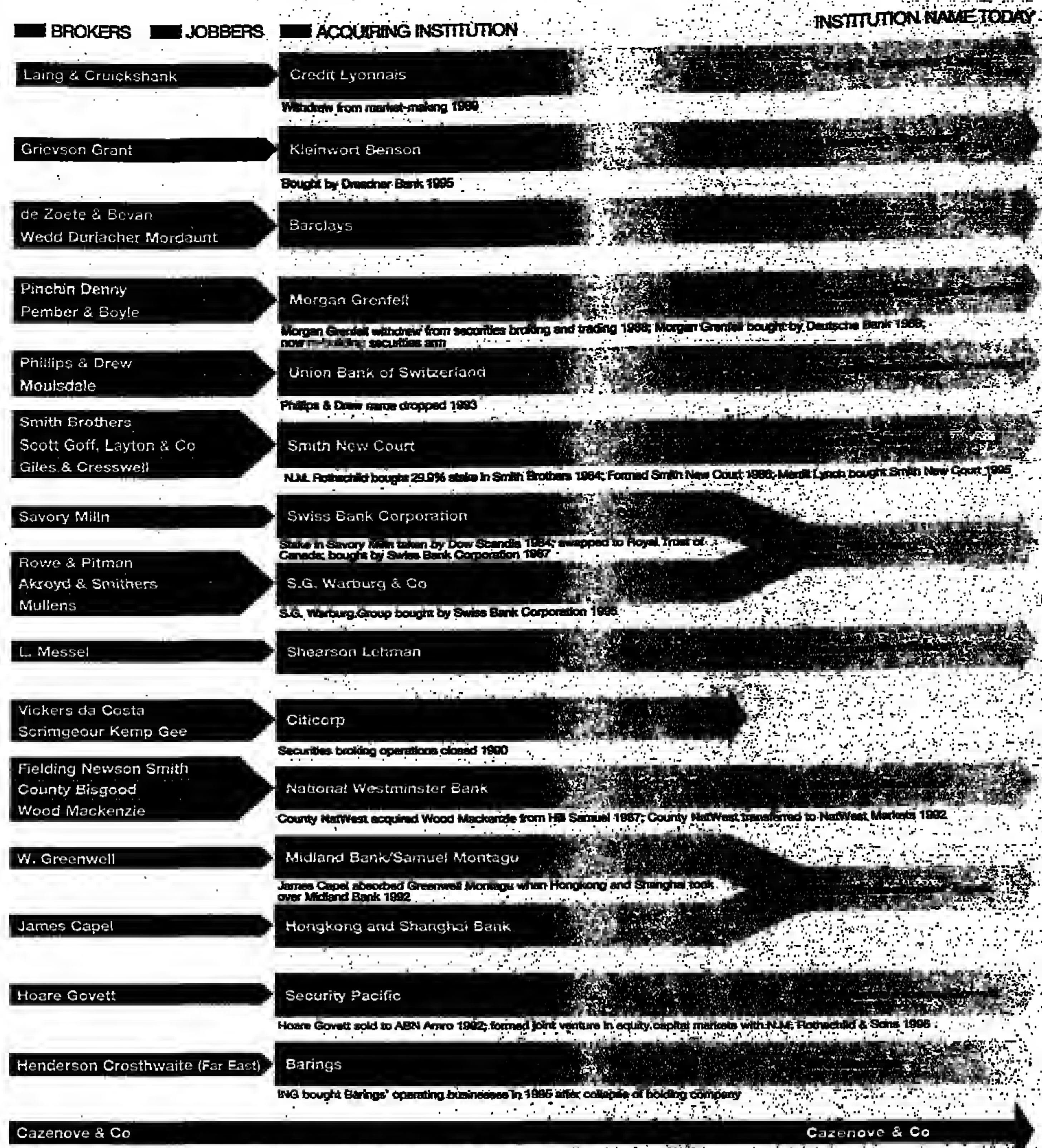
"If London had deregulated before the US institutions woke up to the fact that there was such a place, then arguably the UK firms could have expanded more robustly," says Mr Higgs. "The average City employee in London had not worked in a world that gave him a broad range of expertise."

The result of the upbeaval of 1995 was two-fold. It made it clear that, to prosper in modern markets, firms could not remain medium-sized. It also galvanised a secood wave of investment by overseas banks into London.

Mr John Kemp-Welch, chairman of the Stock Exchange and formerly joint senior partner of Cazeoove & Co, says that Big Bang was "a brave, but brilliantly correct decision", despite some regrets for the past. "We had great fun living in a smaller, compartmentalised, local little world," he says. "Now everything bas changed."

Where the big firms came from

A selective history of leading City institutions



Sources: FT, ING Barings

GRAPHIC BY BRANA RADOVIC, RESEARCH BY PEDRO DAS GUPTA

Top five then and now...

1996 figures not yet available

Stockbrokers by number of clients 1986	1995	Advisers, UK mergers & acquisitions by value 1986	1995	Lead managers & book runners by market share 1986 (lead managers)	1995 (book runners)
Cazenove & Co	Cazenove & Co	Morgan Grenfell	Baring Brothers	Credit Suisse First Boston	Merrill Lynch
Rowe & Pitman	SBC Warburg	Kleinwort Benson	Lazard Brothers	Nomura Securities	SBC Warburg
Hoare Govett	de Zoete & Bevan	Goldman Sachs	SBC Warburg	Deutsche Bank	CS First Boston/Credit Suisse
Grieveson Grant	James Capel	SG Warburg	Morgan Stanley	Morgan Guaranty	Nomura Securities
de Zoete & Bevan	Panmure Gordon	Hambros	NM Rothschild	Daiwa Securities	Morgan Stanley

Source: Crawford's Directory of City Connections. Source: Acquisitions Monthly. Sources: (1986) IDD Information Services, (1995) Capital DATA Bondware

■ **SHARE TRADING PAST AND FUTURE** – By Nicholas Denton

More comfortable about risk

In front of Mr Andy Ross, a marketmaker in the stocks of UK pharmaceuticals and chemicals companies at SBC Warburg, sits the new face of equity trading.

Among tbe 10 screens and squawk-box speakerphooes crowded into his alcove, or "trading station", one especially large computer display has pride of place. It goes by tbe unromaotic oame of GDS, or geoeric database system, but it bas transformed the way he deals.

GDS is an all-embracing risk control system which combines information on SBC Warburg's positions in different shares and derivatives. It adds the latest calculations of volatility – the amount prices move around – and correlatioos – the degree to which prices move in tandem. The result is a measure of the potential loss to SBC Warburg if an individual ahare declines, or if tbe market crashes.

GDS allows SBC Warburg to execute large orders for customers and feel comfortable with the risks these carry.

At the age of 36, and working at one of tbe most sophisticated equity trading operations in London, Mr Ross has seen it all. The City was a markedly differeot place in 1982 wben be joined Akroyd & Smithers, ooe of the distant antecedents of tbe modern SBC Warburg. Before Big Bang, stockjobbers sucb as Akroyd & Smithers could act only in a single capacity. Trading from bexagonal pitches on tbe floor of the Stock Exchange, jobbers dealt with stockbrokers ratber tban directly with investors.

The culture, too, was very different. As a "blue button", or trainee dealer, Mr Ross was expected to run errands for his elders. His course in business management at the London School of Economics was not to be boasted of in front of traders who valued guts rather than intellect.

The structural cbange came with Big Bang in 1986 when traders moved from the Stock Exchange to buge opsn-plan offices. Prices were shown on screens and traders, used to eye contact, had to get used to dealing on the telepbone.

Superficially, little has changed. Tbe trading floor on which Mr Ross sits has the same oppressively low ceilings, concealing a thicket of computer and telephone cables. When the air conditioning fails, the equipment can heat the room up to 25C. Traders still shout across the open-plan floor, or into the squawk-boxes. Nor has the archetype of the barrow boy – tbe trader wbo could awitch with ease from a London street market to a securities trading floor – given way entirely to the cerebral mathematician.

For Mr David Balls, the 31-year-old co-head of UK equity trading at SBC Warburg, the "rocket scientists" have their place. But they cannot supplant the born trader. "There are just some people who – whether it'a used records or securities – will always make money buying and selling things." And the traditional camaraderie of traders is as important as ever. "I've got no time for anyone who is not funny," says Mr Balls.

Nevertheless, tbe pace of change is accelerating. Booking a stock trade, which used to take 14 keystrokes, can oow be achieved with two clicks of a mouse hnttoo on one of the GDS terminals.

Marketmakers are also working harder, taking lunch at their desks rather than slipping out.

As efficiency has improved, Warhurg's UK marketmaking team has shrunk from 60 e decade ago to 20 after the takeover by Swiss Bank Corporation. Survivors such as Mr Ross have been those with the capacity to learn.

The role of computers will increase further next year, when the Stock Exchange'a new system of order-driven trading comes into operation. In the new trading environment for the top 100 stocks, investment banks will enter a buy order into the computer system, which will automatically match it witb a aell order from another trading house.

"I think the change is as big as 1986, if not bigger," says Mr Balls. A decade after the first Big Bang, many marketmakers are now predicting a sequel.

Big Bang: London, October 27 1986

- Physical trading of shares on the floor of the London Stock Exchange replaced by market-makers trading by telephone
- End of the separation between brokers - which sold shares for commission to investors - and jobbers - which traded blocks of shares on the exchange
- Fixed commissions for brokers abolished, allowing firms to compete on price
- Membership of Stock Exchange transferred from individuals to firms

On a switchback ride of mergers and demergers

Sir John Craven, chairman of Deutsche Morgan Grenfell, has lived Big Bang to the full. He advised on many of the formative mergers of the mid-1980s, went on to close the securities operations of Morgan Grenfell later in the decade and then built them up again in the mid-1990s in collaboration with its parent Deutsche Bank.

Along this switchback ride, he has occasionally faced the charge of inconsistency. How can one who helped gain £100m for the partners of Wedd Durlacher Mordaunt have warned other banks against over-paying for jobbers? How can he have closed one securities operation, and then founded another?

JOHN CRAVEN

chairman, Deutsche Morgan Grenfell

'What matters is not the firm's nationality, but what the owners do with it, where the [illegible] go, and where the jobs are created'

Sir John, a forthright man who worked for S.G. Warburg in the 1960s and the eurobond house Credit Suisse White Weld in the 1970s, rebuts the idea. "People have asked me: 'Did you make a mistake?'," he says of his 1988 decision to pull out of securities, "and my answer to that is: 'No, not at all.'"

The move did more than throw 350 staff out of work. It also ended the lives of broker Pember & Boyle and jobber Pinchin Denny, which were bought by Morgan Grenfell in the run-up to Big Bang. As such, it was an abrupt change from the Big Bang vision of integrated UK investment banks.

The decision to leave the securities business came in the aftermath of the 1987 crash, which undermined Morgan's hopes of building a first-class securities arm. "By mid-1988, we were losing £3m a month. It took some decisiveness, but not a great deal of intelligence, to see it was not something we could sustain," he says.

Yet Sir John's career in the early 1980s had been devoted to the formation of similar combinations of merchant banks, brokers and jobbers. Of the 30 City mergers that took place in the run-up to Big Bang, he estimates that Phoenix Securities, the corporate finance boutique he founded in 1981, had a role in 20.

Many banks overpaid for their acquisitions – of the £109m that Barclays paid for Wedd, £100m went to the partners. Sir John accepts that greed, rather than strategic thinking about the future of the City, played a leading role in many deals.

"When acting for brokers or jobbers, we always tried to get the partners to focus on longer-term issues such as the strengths and weaknesses of the banks they would join. I am bound to say it was not always possible to convince them to think of anything other than top dollar," he says.

Yet he argues that in a few cases – particularly Warburg's acquisition of Rowe and Pitman, and Akroyd & Smithers, and the creation of BZW – the bill was worthwhile. "For those that took good firms, and integrated them properly, it was money well spent, even if it was a hell of a lot," he says.

■ **THE PEOPLE** – By George Graham

It was 'absolute hell with a wooden floor'

Mucb has cbanged in tbe City of Londoo in the ten years since Big Bang but there are still many who started as "blue button" apprentices on the Stock Excbange floor.

While some have regrets about the passing of the old ways, the nostalgia is distinctly muted and coloured by a feeling that many of the changes have been for the better.

"Professionalism in ell areas bas improved markedly, and not before time," says Mr Fred Carr, who before Big Bang was a partner et the stockbroker Capel-Cure Myers, and today runs Carr Sbepherds, a private client business.

Mr Carr bas few fond memories of the pre-Big Bang trading conditions, which be recalls as "absolute hell with a wooden floor. You'd come back to the office at 3pm and blow your nose, and clumps of brown wood dust would come out".

EUAN HARKNESS

head of gilts, BZW

'It was a bit like going to Daytona. Everyone had these high-powered, revved-up cars and some of them didn't know how to drive them'

But Mr Leslie Kent, an analyst with MeesPierson, remembers some of the instinctive flair of the old timers.

"Some of these old guys could walk through the door, take a sniff of the air and tell you wbether the market was going up or down," he says.

Although treding has moved on to the telepbone and the computer screen and away from the face-to-face dealing of the old Stock Exchange, few believe that has taken the physical contact out of the City.

"A lot of people have compensated for that. The one thing you will find is that there are just as many pubs and bars in the City as there were before," comments one broker.

"Maybe some of the characters have passed to the Liffe [futures] market," suggests Mr Euan Harkness, now head of gilts at BZW, the investment banking arm of Barclays Bank.

Mr Harkness began his career with a discount house, and at the time of Big Bang was a partner with stockjobbers Wedd Durlacher, one of the firms which made up the kernel of today's BZW. Looking back, he recalls a more leisurely working day and e less demanding market.

"It was a lot more relaxed. When I started people didn't get in till 10 o'clock. I get up at 5.20 in the morning now," he says.

"The gilt market then was effectively two jobbers. You were looking at the UK in isolation. Now when you're trading any of these fixed-interest markets you are trading five different economies," he says.

In the researcb departments, which have grown spectacularly in size and influence in the last decade, the changes have also been marked. "My spreadsheets 15 years ago were loads of bits of paper sellotaped together. Nowadays I've got data on computer going back to 1986 on 150 companies," says Mr Keot.

The transition from the old partnerahips to bank ownership brought new management patterns. Many brokers found banks too alow at making investment decisions. At the same time many were surprised at their lavish spending on a business they did not seem to understand.

"I was amazed at the banks' attitude to cost control," seys Mr Carr, who recalls the bankers' surprise tbat atockbrokers would share a hotel room on business trips. "That saved £120 a night, and on a three-week trip that was a lot of money," he says.

Memories of October 27 1986 are mixed.

"It's e date which is engraved on my heart," says Mr Kent. "I feel it should have been done on a stage-by-stage basis, because a lot of the smaller brokers were left flat-footed and a lot of the big houses made mistakes."

Many dealers had gone to the US for training in the new systems, but when they came back there was still a lot to be learnt.

"It was a hit like going to Daytona," says Mr Harkness. "Everyone had these high-powared, revved-np cars and aome of them didn't know how to drive them."

Mr Carr's memories are different: "It was all a bit of an anti-climax – things worked. Looking back on it, there were much bigger changes to come, for example when the Financial Services Act was fully implemented."

But he acknowledges that private client management may have retained more pre-Big Bang characteristics than other sides of the stockbroking business.

"It isn't as fun as it used to be; yon have to work far longer hours, it's far more stressful, but you do get paid a lot of money. In the private client business I suppose we have much more of a life akin to what it used to be in the City, and we choose to keep it that way. I suppose to some people it was a club, and to some it was the only club they ever belonged to."

Concern over BSkyB sports deal

By Raymond Snoddy in London and Emma Tucker in Brussels

Mr Karel Van Miert, the European Competition Commissioner, last night said he planned to look into British Sky Broadcasting's four-year £670m ($1bn) deal to show English Premier League soccer matches.

Mr Van Miert told the BBC Radio Five Live programme *Inside Edge* that he was worried about the deal. "We have a lot of questions which we need to sort out as rapidly as possible. We must make sure the maximum number of people are allowed to see sporting events," the commissioner said.

"We have to question for how long companies are allowed to own these rights. If there are only a few very big companies left having the financial power and having the strength to buy all the interesting broadcasting rights, then something is wrong. They can acquire a dominant position."

Asked if he would intervene in the BSkyB deal Mr Van Miert replied: "We certainly will. We certainly will. And what should not happen is that those acquiring the rights will be in such a dominant position that they are going to impose the rules."

Mr Van Miert added: "We have to look into the deal, and also the duration of the contract. The sub-licensing system is of importance, and eventually the dominant position a broadcaster might acquire in the market. We have to deal with it."

Exclusive soccer rights are the cornerstone of BSkyB's business, and Sky Sports 1 is one of the satellite group's most popular channels. According to recent ratings the channel is the most watched satellite channel in homes with cable and satellite.

BSkyB last night accused the BBC of a "a blatant distortion of the facts and a sad commentary on the declining standards at the BBC". Mr Van Miert also issued a statement saying that a distinction had to be made between the need to watch closely all such deals, and formal investigations.

"Such a formal investigation is presently underway as to the Dutch sports channel, especially as regards the seven-year duration of the contract and not as far as the BSkyB-Premier League is concerned," Mr Van Miert's office said.

The Commission's determination to look at the BSkyB contract, Mr Van Miert said, was part of a more general monitoring exercise related to the overall phenomenon of exclusive TV rights on sports events.

It looks unlikely that Mr Van Miert plans to launch a formal investigation of the BSkyB deal, which was won in competition with two other bidders.

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Stamp duty exemption extended

By David Wighton, Political Correspondent

The City of London yesterday gave a broad welcome to the government's decision to extend the market maker's exemption from stamp duty to all intermediaries trading on UK or European stock exchanges.

The move clears the way for the abolition of the special status of market makers introduced at Big Bang, 10 years ago. Large market makers said they were pleased that the government had responded to their concerns about restrictions on the exemption.

When the proposal was first put forward in July, the government suggested that relief should be confined to shares that were bought and sold within a set period.

But in a House of Commons statement yesterday, Mr Kenneth Clarke, the chancellor of the exchequer, said the Treasury had concluded this would not be necessary. Mr Clarke said it would impose additional compliance costs on firms and encourage a new type of tax-driven trading. Yet it would do little to protect the revenue from stamp duty on shares.

He said the new regime was expected to deliver roughly the same yield from stamp duty on shares which currently brings in about £1.3bn ($2.02bn) a year.

The Stock Exchange welcomed the change which will underpin the development of new markets operating without market makers.

The move also has the backing of the Securities and Investments Board, which believes it will encourage liquidity on new markets such as Tradepoint, the screen-based equity exchange.

Although the changes are expected be to revenue neutral, the chancellor warned that he was taking reserve powers to impose a non-zero rate of stamp duty on share purchases.

UK NEWS DIGEST

Multi-speed EU plan attacked

Mr Malcolm Rifkind, the foreign secretary, yesterday set the UK government on a collision course with France and Germany over their proposals for a "multi-speed" Europe, in which groups of European Union countries could move faster than others towards integration.

On the second day of Commons debate on the govsrnments' last legislative programms before ths election, Mr Rifkind acknowledged that the EU would acquire a more "flexible" structure, with different countries co-operating in respect of varying projects. However he also voiced concern over Franco-German proposals, launched earlier this week, to establish a framework for sucb flexibility. These will be discussed at the Intergovernmental Conference on EU constitutional reforms.

Mr Rifkind said any proposal to create s core of countries more closely integrated within the EU institutional framework should only go ahead "if all 15 states can agree". The UK could veto the Franco-German plan since all IGC reforms require unanimity. *Robert Peston*

■ MAD COW DISEASE

Need for beef ban 'reinforced'

Mr Franz Fischler, the European agriculture commissioner, said yesterday that new evidence that mad cow disease could be transmitted to bumans reinforced the need for a continuing ban on British beef and a further cull of cattle.

Research published this week by a team from London's Imperial College found thst a new variant of a fatal brain disease in humans, Creutzfeldt Jakob Disease, left chemical traces aimilar to bovine spongiform encephalopathy or mad cow disease. The European Union banned exports of British beef in March after the British government announced a possible link between the two diseases.

Mr John Major, the prime minister, said yesterday Britain had already taken measures to counter the possibility that BSE could spread from contaminated beef to humans. A Commission official said the evidence did not suggest that "further precautionary measures" were needed. However, if the EU's veterinary committee recommended that further action should be taken "we will do so". *Financial Times Reporters*

■ UTILITY REGULATION

Call for decisions to be more open

The Confederation of British industry yesterday said that the regulators of utilities should conduct their business in a more open way and reach decisions after consulting an advisory board of experts.

The UK's largest employers' lobby said, however, it thought the RPI-X method of price control had worked well and it rejected calls for its abolition in favour of other forms of financial control over the utilities.

Mr Peter Agar, deputy director-general, said RPI-X was not perfect, but "it has been effective in achieving benefits for customers and for providing the right sort of incentive for the utilities to reduce costs."

The comments came as the CBI published a discussion paper on how to regulate the regulators.

It comes a week before the Commons trade and industry committee begins hearings into the work of the regulators. *Simon Holberton*

Editorial Comment, Page 15

Big holiday operators await judgment

Regulator set to decide whether business is conducted along the lines of fair trade

Ms Yvonne Holmes, owner of Classic Travel, a small travel agent in Loughton, Essex, is sanguine about competition from Lunn Poly and Going Places, the mass-market tour operators which have opened in the town centre since she started her business 12 years ago.

"I'm not frightened of them. We are professional travel agents; they are holiday shops," she says, sitting by a window displaying an award from Travel Weekly, the industry publication, for best independent agent 1996. But like many independent travel agents, she is angered by what she sees as lack of fair play in the business.

The number of independents has declined by more than a quarter since 1990, a trend which they claim could lead to domination by big retail chains and less choice for consumers.

The Office of Fair Trading is likely to announce next week whether it intends to refer the package holiday industry to the Monopolies and Mergers Commission. The OFT cleared the industry of anti-competitive behaviour two years ago but promised to review its findings.

Its investigation is now complete but its length – it lasted more than a year – has given independent companies the heart to believe that the OFT's new director-general, Mr John Bridgeman, may be tougher on the bigger companies than Sir Bryan Carsberg, his predecessor.

The industry is divided over the inquiry. In one corner are Thomson and Airtours, the biggest tour operators which own the two biggest travel agents – respectively Lunn Poly and Going Places. They account for almost half the package holidays sold.

The companies argue that this vertical integration cannot be regarded as anti-competitive since there is healthy rivalry in the industry leading to frequent discounting. If the independents get their way, holiday prices could rise by as much as 20 per cent, claims Thomson.

The operators also dismiss as ludicrous the suggestion that they offer limited holiday choice, given the ever-increasing range of destinations on offer, and they argue that the independents are trying to protect themselves from competition. But the two companies are divided on one important issue. While Thomson denies that Lunn Poly favours its holidays, Airtours admits that Going Places promotes its holidays first.

In the opposite corner are the independent holiday companies, many represented by the Association of Independent Tour Operators and Artac WorldChoice trade bodies. They say that the big companies operate restrictive practices because they demand high levels of commission from independent tour operators in exchange for displaying their brochures. They also say that consumers should be told that staff are paid incentives linked periodically to the volume of sales of selected tour operators.

Mr Colin Heal, the chairman of Artac WorldChoice, which represents 600 independent travel agents, said: "Many people still don't realise that if they book through one of the vertically integrated groups, they will almost certainly be sold one of that company's own holidays, fly on one of their planes and, to obtain a discount, be required to take out compulsory high price insurance."

The OFT is likely to focus on three main areas:

● The way travel agents link holiday discounts with the purchase of travel insurance.

● The way big companies choose to disclose the strength of the tie with their parent company.

● The way in which tour operators set commission levels to ensure their brochures appear on the travel agents' shelves.

But whatever the outcome of the long-awaited review, one thing is for certain; the industry will be divided for a long time to come.

Scheherazade Daneshkhu

Shrinking number of travel agents*

Date	Companies	Loss	%
Jan 1 1990	2965		
Jan 1 1991	2914	51	(1.7)
Jan 1 1992	2748	166	(5.7)
Jan 1 1993	2712	36	(1.3)
Jan 1 1994	2572	140	(5.2)
Jan 1 1995	2430	142	(5.5)
Jan 1 1996	2219	211	(8.6)

Of the 1766 departures, reasons were:	
Financial failures	471
Merger/Takeover	413
Closed(Not Financial)	279
Resigned	242
Terminated by ABTA	301

*ABTA agents Source: ABTA

Air price review boosts Terminal 5

By Motoko Rich in London

Price controls on landing and take-off charges at Heathrow, Gatwick and Stansted should provide BAA, the airports operator, with about £230m ($359m) of funding for the building of a fifth terminal at Heathrow airport.

The Civil Aviation Authority yesterday confirmed market expectations as it announced that it would restrict price rises at Heathrow and Gatwick to no more than three percentage points below inflation over the next five years. This would provide BAA with an average return on capital of 7.5 per cent and funding for its investment in Terminal 5.

Shares in BAA rose 15 pence to 519½p. The CAA said it would permit BAA to raise its charges at Stansted, the smallest of its London airports, by one percentage point above the retail price index.

The CAA has endorsed recommendations made by the Monopolies and Mergers Commission in July. The new caps represent an easing of the current regime, under which increases in charges have amounted to an average cap of inflation minus four percentage points.

Under the new formula – which is subject to an annual review – the CAA said prices at Heathrow should rise at least one percentage point ahead of price increases at Gatwick, because the bulk of capital investment would be at the west London airport.

If the public inquiry into Terminal 5 led to it being scrapped – or a Labour government put it out to tender – the CAA could adjust the price caps to changes in BAA's investment needs before the five-year period elapsed. BAA will be allowed to recover £55m in lost profit due to the abolition of intra-EU duty and tax free allowances in 1999.

● The Department of Transport is expected to confirm within the next few weeks that plans to privatise Britain's air traffic control service, a move which could raise £600m for the Treasury, have been postponed by the government until after the general election.

Ruling on VAT refunds hits gilts

By Jim Kelly, Accountancy Correspondent

Argos, the catalogue retailer, was overtaxed by £1.4m ($2.2m) on special discount offers to customers and will be refunded following an unexpected ruling yesterday from the European Court of Justice.

The ruling, and a similar one in favour of Elida Gibbs, the personal products manufacturer and Unilever subsidiary, which claimed £880,000, overturned an expert opinion given by the court's own advocate general in June.

Customs and Excise said the ruling would apply to some other companies making similar VAT claims and could cost the exchequer £70m. The Treasury indicated earlier that total refunds could reach £200m.

Customs said its lower figure was based on the government's recent decision to limit back claims on VAT to just three years, rather than allowing retrospective claims to 1973 when VAT was introduced.

The decision will cut the amount refunded to Argos and Elida Gibbs. The government decided to impose the time limit to protect the public finances from a flood of VAT claims which could have reached several hundred million pounds.

However, the time limit is being challenged in the courts and faces opposition from industry when the government tries to enshrine it in law in this year's finance bill.

UK government bonds fell sharply following the court decision amid rumours about the potential impact on government finances ahead of the Budget.

"Because the whole situation is caught up in legal wrangling, it creates an ideal scenario for rumour-mongering," said Mr Ian Roberts, a bonds strategist at NatWest Markets.

The December long gilt futures contract traded at Liffe, the London futures exchange, fell by 10/32 on the day to settle at 109.10. In the cash market the benchmark 10-year gilt fell by ⅞ to 99⅞, and its yield rose eight basis points to 7.63 per cent.

Scandex chief had help at the top

Scandex Capital Management, a company whose customers lost more than £1m ($1.56m) on high-risk currency trades before a clampdown by British and Danish regulators, was not a one-man show.

In the course of proceedings brought by Britain's Securities and Investments Board, Scandex and Mr Jeremy Bartholomew-White, its managing director, have given undertakings, until trial, not to conduct unauthorised investment business, make misleading statements or make "cold calls" in the UK.

Although Mr Bartholomew-White was in the spotlight this week as he appeared in the High Court in connection with the SIB action, Scandex's day-to-day operations, which included sales of shares as well as foreign exchange trading, relied heavily on Mr Ian Farrell and Mr Adrian Jewkes.

"I was there for seven months and we hardly ever saw Jeremy Bartholomew-White," said one former Scandex salesman. Another who was in Copenhagen for a month said: "I never met him." Mr Bartholomew-White said in court he was now the "sole director" of Scandex and that letters to investors were written in his name. But he rarely visited Copenhagen, according to a former salesman, while "Farrell and Jewkes were there every week without fail. They usually came on Tuesday and left on Friday."

Mr Bartholomew-White and the two men themselves describe the role of Mr Farrell and Mr Jewkes as "consultants". All three had been shareholders in Scandex, although Mr Jewkes said yesterday he no longer had a beneficial interest.

Mr Farrell was Mr Bartholomew-White's co-owner and fellow director at Euro Currency Corporation, a UK foreign exchange company which ceased trading in April. Of Mr Farrell's role at Scandex, a former salesman said: "He was the top man. He ran that company lock, stock and barrel."

But Mr Tom Sharston, Scandex's foreign exchange trading manager, said yesterday: "Jeremy Bartholomew-White was always the person who made the ultimate decisions." Mr Farrell often had to consult Mr Bartholomew-White, he said.

Mr Jewkes was responsible for the share sales division of Scandex, where the size of customers' potential exposure has not yet been established. He is chairman of Park Equity Services, a financial intermediary based in Tunbridge Wells, Kent.

He was also a director, with Mr Bartholomew-White, of Anderson Ross, a currency trader which took over the offices and telephone number of Euro Currency. Both had left the board before Anderson Ross withdrew its application for authorisation by the Securities and Futures Authority.

Mr Jewkes said Scandex was a professional client of Park Equity and had bought stock from it on occasions. Scandex Park Equity and Scandex were "entirely separate companies with different shareholders and they dealt at arm's length with each other," Mr Jewkes said. Park Equity itself had not been involved in Copenhagen.

Park Equity's customer lists were "almost certainly used by Scandex/Anderson Ross. Employees who left were free to take such lists with them under their terms of contract and some did join both Scandex and Anderson Ross," he said. Mr Farrell was not prepared to talk to the FT yesterday.

Clay Harris

■ **Headquarters:** by Simon London

Small is the fashion for head offices

Surplus space has become a substantial overhead in recent years

The Grosvenor Estate, which owns large tracts of central London, will soon start the redevelopment of Hobart House, a 1930s brick building overlooking the gardens of Buckingham Palace.

In the past the developer would probably have aimed at putting up the largest possible building consistent with the planning regulations governing the sensitive site.

But the new Hobart House will sacrifice floorspace for flexibility.

Although it looks like a single block from the outside, the building is designed to cater for several occupiers sharing common facilities, grouped around an unusually large central atrium.

Dick de Broekert, Grosvenor Estate development director, says the design is the result of research which shows that large companies are looking for smaller, more flexible head offices.

Andrew Gould: communication rather than bureaucracy

Companies recognise that a smaller corporate centre cannot support dedicated services such as staff catering or conference facilities. One solution is to share these facilities among a number of tenants in a single building, he says.

Andrew Gould, head of consulting at Jones Lang Wootton, the chartered surveyors, points to two parallel trends among corporate occupiers.

First, head offices are becoming smaller and acting as control centres for operating businesses.

These compact offices are likely to be located in prime locations in central business districts, enabling senior managers to mingle with their peers.

Examples of this reduced head office function might include the small Mayfair head office occupied by Zeneca, the pharmaceuticals company which demerged three years ago from ICI, the chemicals group.

The second trend is that companies are recognising the value of consolidating operating company management into single buildings to encourage greater communication between business units.

"Buildings are increasingly about communication rather then bureaucracy. The days of offices-as-paper-factories are over," says Mr Gould.

The financial services sector is already well advanced with consolidation. Financial institutions such as Citibank and Merrill Lynch, which until recently occupied a number of dispersed locations, are now favouring a single large headquarters.

Industrial and commercial companies are starting to pick up on the trend.

Look into the future: Hammerson is building a 200,000 sq ft block designed for either a single tenant or floor-by-floor letting at Globe House overlooking the River Thames in London

Peter Cole of Hammerson, the property development company, believes that occupiers are much more flexible about location for this new generation of big buildings.

The traditional central London business districts will have to compete with outlying areas such as docklands and the western corridor, stretching out to Heathrow airport.

The western corridor has already been dubbed "brand avenue" because a large number of international consumer goods companies have taken buildings in the area.

Recent examples include Disney, the US entertainment group, and Seagram, the Canadian drinks and media group which last year leased the futuristic Ark building in Hammersmith.

Such companies demand good access to transport connections – essential for communication-oriented offices – and facilities for staff.

For developers in central London, the challenge is to provide new buildings which are flexible enough to accommodate either a large operational headquarters or a number of smaller corporate centres.

At Globe House, overlooking the Thames, Hammerson is building a 200,000 sq ft block designed for either a single tenant or floor-by-floor letting.

Unlike the new Hobart House, the floorplan is conventional, with only a small atrium to bring light into the building. But each 20,000 sq ft floor has been designed to allow sub-division or sub-letting.

Similar flexibility is already paying off in other buildings. In the City of London, British Land, the property company, has failed to find a large single tenant for its 160,000 sq ft Corn Exchange development and is now considering whether to move to a floor-by-floor strategy.

Hammerson hopes that the flexible design of Globe House will help attract a single large tenant because surplus space could be sub-let rather than lying vacant.

Surplus space has become a substantial overhead in recent years for UK businesses.

Similar problems could be avoided in future by designing buildings which can be divided in a number of different ways.

In addition to flexibility, companies are also interested in the operational efficiency of their buildings. For most companies, this means large floors which can be arranged in a variety of different lay-outs.

Research shows that the rate of "churn" – the number of times employees move desks – has been rising fast since the mid-1980s. The cost of this constant flux can be minimised by designing buildings which are easy to re-arrange.

With this in mind, many developers now use space planning at an early stage of the design of a new building. A buzz-phrase among all tenants and developers is "floor-plate efficiency".

Non-financial companies tend to view floors of about 20,000 sq ft as optimum size, enabling 150 to 200 staff to be accommodated on a single level. Investment banks will take floors of up to twice this size to accommodate their dealing operations.

Hammerson was willing to incur additional costs to reduce the number of internal columns on each floor of Globe House. It hopes this will make it easier for tenants to arrange the space and make the building easier to let.

"Three years ago most corporate occupiers were still cost-cutting. Today, they are looking for efficiency," says Mr Cole.

■ **In and out of town:** by David Lawson

Office parks are still popular

Most towns cannot accommodate large users looking for modern buildings

A shiver went round the property industry as the government issued planning guidelines this summer which made plain the commitment to restrict development outside town centres. But it was more a feeling of excitement than despair.

"It is all much too late," says Simon Ives, of surveyors Chesterton. Councils around the UK have already designated enough land for office parks to last them for the rest of the decade. Where shortages do occur, it will merely push up the value of existing sites rather than force big businesses back into centres.

The problem is that most towns cannot accommodate large office users looking for modern buildings. Well-located sites are like gold dust and the surplus of vacant space built in the boom has dwindled to vanishing point. Little new development is taking place because funding is still scarce.

In any case, many businesses no longer want to be in centres. They have grown used to the airy spaces and glossy buildings that have sprung up on business parks over the past decade. "This will continue to make life difficult for town centres," says Mr Ives.

"The professions, banks and a number of institutions still prefer central locations, but those less traditional – and possibly more pragmatic – see substantial advantage in going out of town."

Some classic examples have recently emerged in the economic cauldron west of London, where electronics companies have renewed the spectacular growth rate of the 1980s. Microsoft has bought more than 30 acres on the Thames Valley Business Park from Argent. This gives space for a new 250,000 sq ft headquarters plus elbow room for twice that amount in future expansion. Novell has matched its fierce rival by spending more than £20m on a site at Arlington's business park in Bracknell to replace its town centre headquarters.

The trend away from town centres a decade ago was linked to costs. Rents were soaring: so were local authority rates. Today, rents are often higher outside towns than in the centre across much of the country. Even in London the gap has narrowed. Latest lettings on Stockley Park near Heathrow are more than £26 a sq ft. That is still well below the £45 Richard Ellis is quoting as top rents in the West End but higher than the depressed mid-town area of Holborn.

Location decisions nowadays revolve less around headline costs, however. Companies are more concerned about getting the right quality space in surroundings that will attract and hold, staff. That is almost always away from town centres. Notable exceptions such as Brindleyplace, Birmingham, and the potential GMEX redevelopment in Manchester merely accentuate the general rule. Even London Docklands no longer has 200,000 sq ft blocks available at the drop of a hat – at least until Canary Wharf gets into a new development chapter.

Investors are gradually growing disenchanted with city centres and just not providing the space for businesses to shop around. But that is only a reflection of what is happening among occupiers, according to Angus McIntosh, head of research at Richard Ellis. He points out that big question marks hang over the future of offices as tenants reduce space demands.

New technology brought the first wave of staff cuts. Outsourcing of catering, cleaning, transport and other non-core services will streamline organisations even more. The rump left is likely to use space more intensively as techniques such as hot-desking and homeworking are introduced.

So there are likely to be fewer large corporate buildings in future. Those that are built will be commissioned by companies rather than picked off the shelf – partly because businesses are now more sophisticated in their demands but also through a lack of funding for speculative development.

> Across much of the country, rents are often higher outside towns than in the centre

These buildings are also more likely to be on parks where planning permission has already been granted. The exception could be in large redundant blocks in town centres where renovation is possible to a high standard. These have the crucial advantage of generous car parking provisions which were set back in the days when no-one had heard of the ozone layer and global warming. Today, an occupier would be lucky to get even the much-reduced number provided in local plans.

Instead, there are numerous examples of councils not only restricting parking below their own standards but demanding payment for the "phantom" spaces as a contribution to local facilities. This sends out bad vibrations to companies already smarting from tighter restrictions on access.

This is compounding rather than solving town centre problems, says Mr Ives. He cites Leeds, which insists on only one space for approximately 2,000 sq ft of lettable accommodation – roughly one for every 16 to 20 people.

"One sympathises with their desire to reduce pollution but there is simply no alternative to the car," he says. The trains were seen as unreliable and the old buses clanking around the city felt to produce far more noise and fumes than any cars.

Even planned improvements such as park-and-ride would not satisfy the typical business executive who faces a wet February morning at a bus stop rather than the warmth of a BMW.

Set this against the generous parking provisions already granted to business parks and it seems inevitable that companies will look outside town centres for new homes.

This will polarise property values in favour of flexible, modern space which is easily accessible by car and leave behind those in marginal locations.

The change in meaning of "marginal" from city fringe to city centre could have a traumatic impact on many areas. Ironically, this is the very reason why the government has come down so heavily on green field development.

It was ostensibly aimed at preventing shopping centres draining the life from town centres. But the "sequential" test – involving looking at all central options before gradually working outwards – also applies to other buildings.

The problem is companies looking for large new property have an escape route already prepared. Blocking that will require a lot more involvement in raising standards in city centres. Even then, the space may not be available to meet their wishes.

■ **Strategies for surplus space:** by Christine Moir

Room for manoeuvre

Many companies have only a hazy picture of their property holdings

One consequence of the corporate management fashion for downsizing, delayering, outsourcing and general belt-tightening has been the creation of buildings surplus to requirements. When, as now, that trend has coincided with a long and deep recession, the stock of surplus space becomes a national phenomenon.

Most managements just bite the bullet when it happens and try to offload each surplus building as best they can. A few, however, are learning that it is possible to devise a corporate property management strategy which reduces the cost of exiting from a property or may even eliminate the need.

Property consultants advise starting with the creation of a property database covering all buildings owned or leased, together with detailed profiles for each. These might include: the lease structure, rent bill and lease breaks any environmental liability (for example, redevelopment of the Department of the Environment's headquarters in Marsham Street, London SW1 is complicated by its being on the site of an old gas works), present and prospective occupancy levels and local demand for similar properties.

However unlikely it may seem, many companies, particularly multinationals, have only a hazy picture of their property holdings, according to James Hollington of Healey & Baker's corporate services unit. Property management is typically delegated to the individual plant manager. The country manager may have a fair idea of which buildings come under his/her jurisdiction but the group board is unlikely to have any detailed picture, especially where there have been cross-border acquisitions of long-running, trouble-free businesses.

Building a picture of the property portfolio at once increases a company's flexibility. If the building which becomes surplus proves to have heavy exit costs compared with others held by the company (an unfavourable lease break date, perhaps, or low demand by possible future occupiers) it may be possible to release another building with a better resale or sub-letting profile.

Seeing the picture as a whole also allows the board to judge more accurately just how effectively they are using their properties. It may be that more than the immediate building is under-used.

Co-location on one site by two or more formerly free-standing operations may reduce costs.

It may be possible to relocate certain functions to cheaper areas (or even cheaper countries). This could allow the company to release prime properties on to the market.

Companies able to see beyond the individual building may be able to time the release of redundant properties to maximise their attractions.

In a weak market this may still result in unpalatable options but at least the company will be taking the best decision under the circumstances. Thus, when Marks & Spencer re-organised and modernised its distribution operations some 18 months ago, it faced the fact that its smaller, older warehouses were so unattractive that it agreed to pay a premium to persuade potential new tenants to take them over. At least it saved on the cost of demolition or managing them as empty shells.

William McKee: not all buildings are suitable for conversion

James Hollington: board may not have a detailed picture

Once the board comes to grips with its portfolio and its space needs, it can concentrate on strategies for individual buildings. It may be that a particular redundant property will have to remain empty and idle (be taken into stock, as the jargon has it). But that, says H & B's Mr Hollington, is only for extreme cases. Many possible alternatives can be explored.

Change of use is one of the most publicised alternatives at present, particularly conversion of commercial properties to residential use, in line with government planning policy to promote mixed use of town centres. Government departments may even be leading the way in this respect; witness the redevelopment of the Treasury building in Whitehall where part of the space could become upmarket apartments with a view across Green Park to Buckingham Palace.

Other well known conversions include that of County Hall, the former GLC offices opposite the Houses of Parliament, into apartments and the similar re-use of Shell's second Thames-side building not many yards away.

Residential uses are being found for former commercial buildings in town centres all over the country. One of the more pleasant ironies is to see the dark, satanic mills of Manchester and Leeds converted to stylish apartments to support the new cafe society rejuvenating those city centres.

William McKee, director-general of the British Property Federation, warns, however, that not all buildings are suitable for simple conversion. Apartments carved from old multi-storey commercial buildings may attract city dwellers; they do not easily convert to family-style properties suitable for the suburbs.

By no means all of them convert comfortably even to other commercial uses. A decade ago out-of-town retail warehouses were seen as obvious inheritors of redundant industrial buildings. Today it is clear that their layout is rarely suitable and it is far more likely that existing buildings will be demolished and the land redeveloped as in the case of the old Fiat factory on the Great West Road out of London which now provides four decentralised office buildings for Wang, Samsung, Mercury and Nokia.

More ambitious redevelopment may be contemplated where neighbouring property owners can obtain the backing of the local authority for a community project. The Oxo Tower (now a complex of community housing, workshops and restaurants) may have offered a unique location, gazing across the Thames to St Paul's. Mr Hollington, however, points to a redevelopment scheme in Nottingham and the revitalisation of Associated British Ports' derelict land in Hull as two examples of innovative community schemes.

Mr McKee at the BPF cites the role of local government in turning surplus commercial land into parks and open spaces, non-commercial perhaps but socially valuable. Cash-strapped local authorities may not be in a position to exercise this function but, longer term, as Mr McKee points out, they will need to become a part of the network which finds the best way of minimising what many believe will be a permanent surplus of less than prime commercial property.

Room with a view: the Treasury building in Whitehall (left)

■ **Specification:** by Simon London

Era of understatement

Space planning has encouraged developers to build wider buildings

If the 1980s was a decade of statement buildings, the 1990s is an era of understatement. This is reflected in the outward appearance of new offices and their detailed specification.

Glamorous buildings – famously described by Stuart Lipton, the developer, as offering "maximum marble, minimum value" – are certainly out of fashion with corporate occupiers.

Today's landmark offices tend to use steel, glass and stone rather than marble and polished granite. While many buildings still include an atrium, its principal function is now to bring daylight into the building rather than to accommodate hanging gardens and fountains.

Beneath the surface, subtle changes have taken place in the way in which office buildings are constructed. The use of space planning has encouraged developers to build wider buildings, which in theory allow more efficient use of internal space.

Chris Stickland, development director at Greycoat, the property company, believes that the optimum width for a modern office building is 18 metres.

This allows for a row of cellular offices down each side, two corridors and a central area which can be used for either open plan or additional cellular offices.

Wider buildings demand higher ceilings to avoid giving a cramped impression to their occupants. Many new office developments offer a floor-to-ceiling height of up to nine feet, perhaps six inches higher than the industry standard of the late 1980s.

But, surprisingly, the overall height of new buildings is lower than older buildings with an equivalent number of floors.

Developers no longer incorporate very deep ceiling voids – to accommodate powerful air-conditioning – as a matter of course. This is partly because tenants have rebelled against paying for air-conditioning systems which are more elaborate than they needed.

A common complaint in the late 1980s was that the office buildings provided by developers were over-specified and therefore expensive.

For example, powerful "variable air volume" air-conditioning was fitted in many speculative buildings, even although the system demands large ducts and deep ceiling voids to channel cool air around a building.

Today, developers have drifted back towards cold-water systems that require less space and are perfectly adequate for all but the most demanding occupiers.

Mr Strickland believes that in the past too many buildings were designed according to received wisdom rather than according to the needs of tenants.

Speculative development certainly breeds an innate conservatism. Developers have to cater for the widest possible range of potential tenants.

They are also designing with one eye on the tastes of investment institutions, often the providers of development finance.

The net result is that few speculative buildings break new ground in terms of design and specification. Market forces demand a standard product that takes few risks and appeals to a wide audience.

"There is inevitably a degree of over-specification in speculative development. We have to cater for as many potential occupiers as possible," says Gerald Kaye, development director of Helical Bar, the property company.

The British Council for Offices, which brings together tenants and developers, in 1994 published a standard specification for offices.

The document aims to provide a benchmark for basic office design, avoiding over-specification in matters such as floor-loading (the amount of weight a floor can take) and air conditioning capacity.

The BCO guidelines have been influential. Mr Kaye points out that floor loadings have typically been reduced by half since the late 1980s, saving construction costs and, ultimately, rent.

But caution and standardisation have not squeezed out innovation altogether. Some developers are experimenting with new technology such as chilled ceilings, which are thought to be more energy efficient than traditional air-conditioning units.

The Helicon development in the City of London – by London & Manchester, the life insurance company – is one of a handful of speculative schemes to include this system.

Developers are also experimenting with natural ventilation – windows that open rather than sealed units with air-conditioning.

Noise and traffic pollution make natural ventilation an unlikely choice for most city-centre offices. The most notable examples are owner-occupied buildings in out-of-town locations.

As concern among tenants for environmental protection increases, more office buildings will incorporate such energy-efficient cooling.

Developers already regard a full environmental audit – covering energy efficiency, materials and the construction process – as a sound investment on large projects.

The Building Research Establishment also publishes an off-the-shelf points system against which developers can measure the environmental credentials of a new building.

The consensus among developers is that environmental concerns are rarely the central factor in deciding whether a new building will let.

But tenants like to be able to boast that their building is "green" and it costs little to take environmental issues into account during the design process.

Concern for the environment also fits neatly into the overall ethos of 1990s office development, using less expensive materials in a more efficient way.

A West End opening

Simon London examines the Minerva flotation plans

Minerva, the private property company owned by Mr David Garrard and Mr Andrew Rosenfeld, plans to float next month in a deal likely to value the company at more than £150m.

Founded in 1988, the company has net assets of about £100m and plans to raise more than £50m of new capital by placing shares with investment institutions.

Neither of the founder-managers are selling shares and will retain a majority stake in the company.

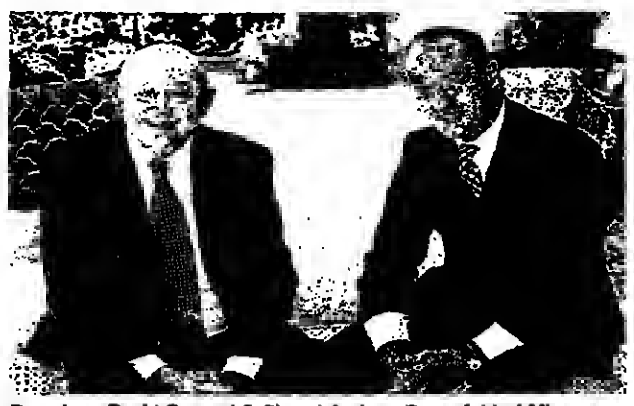
Minerva's £400m investment portfolio is based on London offices. Its largest single asset is a 150,000 sq ft office building at 250 Euston Road occupied by the Prudential, the life insurer.

Other large properties are in Croydon, Sutton and in the West End of London.

Its latest move is the £37m acquisition of the former London headquarters of Banque Paribas, the French bank, on Wigmore Street, to the north of Oxford Street.

Mr Rosenfeld believes this acquisition could open the way for a substantial West End office development on the site. Minerva already owns an adjacent building.

Mr Garrard, 57, made his name in the 1970s and 1980s as an estate agent and property investor.



Founders: David Garrard (left) and Andrew Rosenfeld of Minerva

In 1986 he was part of a private consortium led by the Berger family which bought Land Investors, the quoted company chaired by Mr Jack Rose, a legendary investor and developer in the 1950s and 1960s.

Mr Garrard sold out of Land Investors in 1988, making a tidy profit on his investment and avoiding the property slump to come.

Later that year he founded Minerva with Mr Rosenfeld, who had been hired to help manage the Land Investors portfolio. Still only 34, Mr Rosenfeld is regarded as one of the up-and-coming generation of property investors.

Minerva's strategy is based on buying large buildings let to good quality tenants on long leases.

Mr Rosenfeld rejects any suggestion that the company's investment portfolio is "institutional" and lacking in possibilities for future growth.

In addition to the potential development in Wigmore Street, Minerva is working on a plan to redevelop a 240,000 sq ft office and retail complex in Croydon.

Mr Rosenfeld also believes that Minerva has proved its ability to restructure the ownership and leases of its buildings to create additional value.

Excluding the Wigmore Street acquisition, the company has spent £239m building an investment portfolio which is now valued at £365m, he says.

This equates to a 52 per cent valuation uplift, far outstripping the performance of the wider property market.

It remains an open question whether the stock market will accord Minerva the premium share rating reserved for high-flyers.

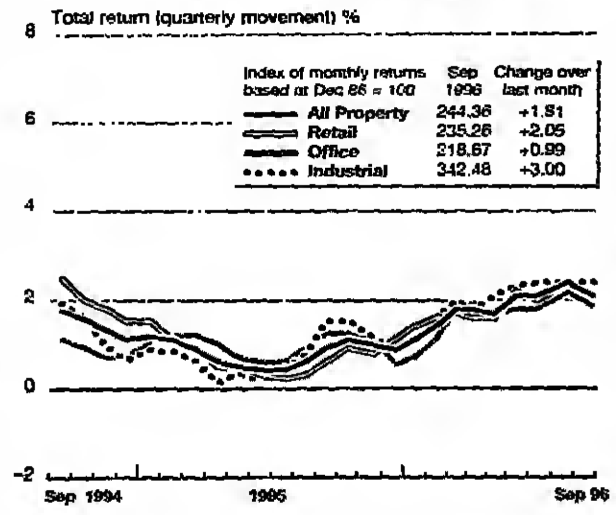
Despite its impressive record, the company is not exposed to retail warehousing and large shopping centres which are favoured by most fund managers.

The company has made plentiful use of bank debt in the seven years since its creation. Even after raising new money through the placing, Minerva will have gearing of more than 130 per cent, among the highest in the property sector.

Institutional investors are also being asked to buy into a minority position which goes against the grain for some funds.

These considerations point to placing price at a modest discount to net assets per share. This would leave potential upside for investors if Minerva proves itself a big-hitter in the quoted property sector rather than another also-ran.

IPD monthly index for September



Offices weak

The poor performance of office properties restricted the total return from the IPD monthly index to 0.7 per cent during September. Capital growth across the index as a whole was 0.1 per cent, but this reflected a 0.3 per cent decline in office values, offset by 0.3 per cent growth in the retail sector. Office rental values declined for the first time since January, falling by 0.1 per cent. Overall, rental values improved by 0.1 per cent.

In the three months to September, the total return on the monthly index was 2.1 per cent, unchanged on the June quarter. Total return in the first nine months of 1996 was 6.1 per cent. This equates to a return of about 5.7 per cent on IPD's annual index, which includes a lower weighting in retail property and poorer income returns than the monthly index.

At a sector level, retail and industrial property showed a total return of 0.9 per cent in September. In the 12 months to September, industrial property has delivered a total return of 7.7 per cent, compared with 7.2 per cent from retail property and 6.2 per cent from offices.

MANAGEMENT

John Kay

Happy combination

If identified and used properly, core competencies can drive a uniquely successful strategy for a company

Core competencies is one of the most used and abused phrases in business strategy. Nowadays it has simply become a pretentious phrase for activities – things a business does do, or would like to do.

The disease has even struck my own company. Last week I picked up a sheet that proudly proclaimed that the competencies of London Economics include economic knowledge, business experience, analytical skills, problem-solving, industry knowledge, innovation, project management and customer focus.

That list is a terrible muddle. It conflates the organisation's resources – its economic knowledge and business experience, with things the organisation does – problem-solving and project management, and with characteristics we need, but probably don't have – innovation and customer focus.

But it is not very different from the list generated by most companies. One business I know claimed to have no less than 43 core competencies.

The phrase "core competencies" seems to be due to a Harvard Business Review article by C.K. Prahalad and Gary Hamel. It is a popularisation of what has become known over the past decade as the resource-based theory of strategy. "Resource-based theory", in turn, seems to originate in a 1984 article in the Strategic Management Journal by Bo Wernerfelt; and in turn the ideas it describes was first expounded 20 years earlier in a jewel of a volume, *The Theory of the Growth of the Firm*, by Edith Penrose.

I mention this history partly to emphasise that the best ideas in management are rarely the newest and also to stress that what really matters is not the words we use but the thinking that lies behind them.

We can debate for ever whether something is or is not a core competence but unless we know why the answer matters the debate is a waste of everyone's time. We need to start by distinguishing what the business is – the resources it has such as economic knowledge and business experience – from the things it does – like problem solving and project management.

The reason is that the main strategic question for any business is how well what it is matches what it does, and if you muddle the two you can't even begin to answer that question effectively. The resource-based theory of strategy emphasises that each company is characterised by its own collection of resources. But in looking at these resources, the vital step in understanding the nature of the business is to draw a line between those resources which are quite idiosyncratic to that business, and those which can be readily bought in the marketplace. The Coca-Cola brand is unique to the company, but fizzy drink technology is available to anyone.

I have called this the difference between distinctive capabilities and skills, but the terms are not important: what is important is the difference in the ideas they express. The reason this dichotomy matters so much is that any but the most transitory of competitive advantages has to be based on distinctive capabilities.

> A company needs to identify the markets where its distinctive capability is relevant, and then put together the skills to capture those markets

A competitive advantage based only on skills – those resources of the business which others can go out and buy – will quickly be eliminated. If it yields profits, others will go out and buy the same resources. So Coca-Cola's competitive advantage is based on its Coke brand, not its technology.

You can buy the skills incorporated in Marks and Spencer (others have, by poaching their employees), but you cannot attack the company's competitive advantage because you cannot buy its distinctive capabilities: its structure of relationships and its reputation with customers.

And correspondingly, when Marks and Spencer wants to apply a distinctive capability – its reputation with customers – in a new market, it can go out and buy the services skills it needs.

There is no shortage of people who know how to design a personal equity plan or process a life insurance policy. So what is needed in defining a company's strategy is to identify the markets and activities in which its distinctive capability is relevant, and then put together the skills needed to capture these markets and perform these activities.

No company will ever have 43 distinctive capabilities. It is rare for any company to have more than one or two. Sometimes it may have none at all. In that case, it is not going to have any competitive advantages and it will do well to make an average return on capital. That hard but obvious truth is often difficult to accept.

London Economics' distinctive capability is its technical skills in economics, and an established position, especially in the recruitment market, which makes it quite difficult for others to replicate that stance. That means we should only try to sell work which could only be done by someone with exceptional abilities in economics.

Other reasons offered for pursuing new lines of business – that market is growing, this market is very profitable, we could do it – should all be rejected. Even if we could do these things, if they don't match our distinctive capability we won't make money in them for long. And because it is hard to reproduce our distinctive capability, I don't mind telling readers of the Financial Times what it is.

When Oxford establishes its business school, the distinctive capability it enjoys is the Oxford brand, which immediately implies an intellectual, relatively academic, positioning; because that is what the brand conveys and that is the market in which it carries weight.

The job of its director is to put together the resources which complement the distinctive capability in achieving that market position.

For other business schools with different distinctive capabilities – or none – the strategy should be different. That is why there will never by any successful generic strategies for companies. The real competencies of companies are their distinctive capabilities and these are few in number and individual in nature. Any effective strategy is specific to the business that deploys it.

John Kay is chairman of London Economics and director of the School of Management Studies at Oxford University

An eye on value: Daimler-Benz chief Jürgen Schrempp addresses shareholders

Wolfgang Münchau on the dominance of shareholders

Workholders with equal weight

To what extent should the interests of shareholders take precedence over the interests of a company's workforce? Some companies in Germany are now beginning to doubt that a policy of maximising financial returns is reconcilable with consensus-based industrial relations.

Volkswagen, the carmaker, has emerged as one of the most outspoken sceptics of "shareholder value", saying openly that "workholder value" should carry equal weight.

As part of an experiment consistent with this philosophy, employees are to receive part of their wages in "time" shares. These are not denominated in money, but in working hours. The monetary equivalent of the time shares, plus interest, is to be reinvested in the company, so that employees become quasi-shareholders.

The scheme enables workers to save enough hours to finance early retirement, buy an extra holiday or even protect themselves against redundancy in middle age.

Peter Hartz, VW's personnel director, says the scheme "combines the notion of workholder value and company value. There has been a one-sided attention to shareholder value in the past. We want both."

Labour relations have high priority at VW. The company is one of the few companies in Germany ready in principle to guarantee jobs in exchange for greater flexibility on working hours. At the same time, the company is believed to be overstaffed to the tune of some 30,000 workers.

Klaus Liesen, chairman of VW's supervisory board, defends the employee-friendly attitude of the company and defines shareholder value as meaning "long-term" value. This differs from the Anglo-Saxon notion of shareholder value, which does not take time into account. By implication, the German definition is geared not towards shareholders in general, but towards long-term shareholders. These include the banks and, through schemes such as VW's, the workers themselves.

Volkswagen is unlike many other companies because it has one dominant investor, the state of Lower Saxony, which owns a de facto controlling stake of 20 per cent. Gerhard Schröder, prime minister of Lower Saxony and a member of VW's supervisory board, is also the economic spokesman of the Social Democratic party, and a potential candidate to challenge Helmut Kohl for chancellor at the next general election.

As one of Germany's most political companies, Volkswagen may be an extreme case of "shareholder-value fatigue". But it is not alone.

Jürgen Schrempp, chairman of Daimler-Benz, Germany's largest industrial group, may be an energetic advocate of shareholder value but he is also keen to limit its scope.

"Shareholder value must not be pushed for short-term success at the expense of future viability and future earnings potential. Our future lies not only in chips, machinery, buildings and concepts but also in the heads and hearts of our employees," he says.

Critics could argue that the German redefinition of shareholder value might allow companies to hide unprofitable strategies under the cloak of long-termism.

Doubt about shareholder value is particularly evident when it comes to linking executive remuneration to shareholder returns. There is broad consensus that German society is not ready for the kind of multi-million D-Mark salaries that are common in, for example, the US. Executive share options are relatively modest. At Daimler-Benz one board member calculated that options could earn him some DM60,000 ($39,470) per annum "if I am lucky".

The extent to which an executive is "pro-worker" or "pro-shareholder" in Germany is also largely determined by labour law, which sets out the relationship between companies and their workers in great regulatory detail.

Overall, there is a great deal of scepticism in German boardrooms about pure shareholder value. The chief executive of another large industrial group in Germany said privately that he could not survive in his job if he pursued a relentless shareholder-value campaign.

ARTS

Encore for sopranos from Sofia

David Murray reviews rare operas by Meyerbeer and Donizetti at the Wexford festival

Meyerbeer's *L'Etoile du Nord* (1854) was worth reviving at Wexford, both for historical reasons – it is one of those once-famous, now utterly neglected operas by a composer of some note – and because it offers a rich range of roles for showing off Wexford's latest singing discoveries. The trouble is not so much that the "plot" is a load of old cobblers, though it is; rather, that Meyerbeer's score is irredeemably second-rate from start to finish, without one really imaginative number to enliven its interminable length.

There are tunes aplenty, most of which we seem to have half-heard before, and the vocal writing is grateful. The orchestration is expert and varied – probably less insistently loud than Wladimir Jurowski made it sound from the pit (the band is just the ordinary early-19th-century size, plus trombones), though he gave it a welcome thrust. Not a vital spark in any of it: it is the kind of score that gives "professionalism" a bad name.

Meyerbeer patched it together from his earlier *Ein Feldlager in Schlesien*, a silly fiction about the flute-playing Frederick the Great. For *L'Etoile* he kept the flute but passed it a half-century back to Peter the Great, an unlikely flautist, and swapped Silesia for Finland. There Peter, disguised as a carpenter, meets Catherina, a *vivandière* (what would 19th-century opera have done without *vivandières*?) and they fall in love.

After many arbitrary vicissitudes and the statutory mad scene – it is a measure of Meyerbeer's originality that he accompanies his soprano there not with a flute, but with *two* flutes: it sounds like his teacher Clementi on an off-day – they are reunited, and Peter makes her his Empress. Charming Elizabeth Futral sang her brightly, with winning assurance and panache; Vladimir Ognev's Peter suggested a *basso cantante* on old records, with throttled intensity and a very fast vibrato.

Obedient to the determinedly lusty style of Denis Krief's production, everyone else mugged and pranced a lot. As Catherina's brother George, Juan Diego Flórez displayed a well-formed, elegant tenor, and his fiancée Darina Takova a warmly expansive soprano. Christopher Maltman's pop-eyed corporal Gritzenko and Aled Hall's near-pantomime *pâtissier* Danilowitz managed to make their cultivated voices (respectively a stirring baritone and a secure high tenor) tell through the clowning.

Donizetti's "lyrical tragedy" *Parisina* (1833), after Byron, was a brave gamble for Wexford. With it the composer took a new step into exacerbated drama, without any great new sophistication in his musical construction or his harmonies: the expressive art lies in the vocal lines, which require principals with considerable artistry and – ideally – *just* the right voices.

Roberto Servile had most of the weight, if not yet the black depth of tone, for Azzo, the brutal Duke of Ferrara, suspicious that his second wife Parisina loves another. As Ugo, that other, Amadeo Moretti was stylish and forceful (he proves to be the Duke's own son, but Azzo murders him anyway). And as poor Parisina, Alexandrina Pendatchanska sounded like a great artist in the making: an astounding range of vocal colour brilliantly used, unerring technique and subtlety, dramatic power beyond her frail presence.

Sterling support from Daniela Barcellona's rich, consoling soprano and Richard Robson's noble bass (he lent fine gravity to the High Priest in *Sarka*, too). Maurizio Benini was the knowledgeable, perceptive conductor; Stefano Vizioli's production, in Ulderico Manani's stark designs, was a model of simple, old-fashioned tact. Incidentally, Pendatchanska, Takova and Vassileva (in *Sarka*) are all from Bulgaria: can Sofia be the new powerhouse for sopranos now?

Parisina in repertory at Wexford until November 1, *L'Etoile* until the 2nd.

Alastair Muir

A great artist at the peak of his powers: Irek Mukhamedov, with Miyako Yoshida

Ballet/Clement Crisp

Romeo speaks from the heart

Two Russian artists brought *Romeo and Juliet* to life on Wednesday night when MacMillan's staging returned to the Opera House: Irek Mukhamedov as Romeo and Viktor Fedotov as conductor.

The rest of the Royal Ballet milled industriously round Mukhamedov, registering group emotion, though certain performances had the dégagé air of being telephoned in from nearby call-boxes. Miyako Yoshida was Juliet, sweet, tender, sincere, too small-scale to make much impression beside the blaze of Mukhamedov's interpretation, and missing the fine fevers and tensions in Fedotov's view of the score (aided by very responsive orchestral playing).

Yet if the evening was off-balance, how grand the rewards from this Romeo and this conductor. Fedotov, whom we admire from his years with the Kirov Ballet, plunges to the Russian heart of Prokofiev's score, showing us its characteristic energy and sharp sonorities, driving its rhythms on a tight rein (the action quick-stepping but not hurried), refreshing its every bar for us. Not for years, perhaps not since Yury Fayer led the first Bolshoi performance in 1956, have I heard the final scene sound so sonorously tragic, nor the orchestra's playing so admirably taut.

Fedotov's way is Mukhamedov's way. Here is a great artist at the peak of his interpretative powers. From his early moment on stage, kneeling at Rosaline's feet, arms ardently extended, we meet the passionate, headstrong young man who will be swept up in Juliet's impetuous love (which is MacMillan's theme). For Mukhamedov, every action is alive with feeling, and so it is for us. (How piercing the moment in the market-place when he has been blessed by the priest and prays – we know he prays – for this blessing on his own marriage).

Nothing is without reason, or emotional and physical logic. The character is whole, real, drawn in lines of vivid movement that speak from the heart to the heart. This is Mukhamedov's way with every role, be it his supreme Albrecht or his joyous, loving Colas, or even his Basilio in dear, foolish *Don Quixote* (albeit the Royal Ballet's disastrous production defeated him). He is the greatest dance-actor of our time, unrivalled in the world in my experience. Looking leaner than heretofore, with a boyish ardour for Romeo – and a boyish haircut – he gave an unflawed account of the character. It is a privilege to see him dance.

It was also a pleasure to see Justin Meissner leading the mandoline dance: bright, high-flying, and showing us a pirouette that went on and on and wonderfully on. But I wish I understood the two tots with torches and long frocks who lurk outside *Palazzo Capulet* by night: they should have been in bed hours before.

Theatre/Alastair Macaulay

Honed 'Hamlet'

Hamlet is, among other things, a revenge tragedy; and Michael Maloney, London's latest Hamlet, is one of our theatre's natural revengers. He has burning dark eyes of great intensity, and, whether he is still or restless, his whole nervous system is febrile. He seems, too, both noble and intellectual, his voice is handsome and eloquent, and he has considerable Shakespearian experience.

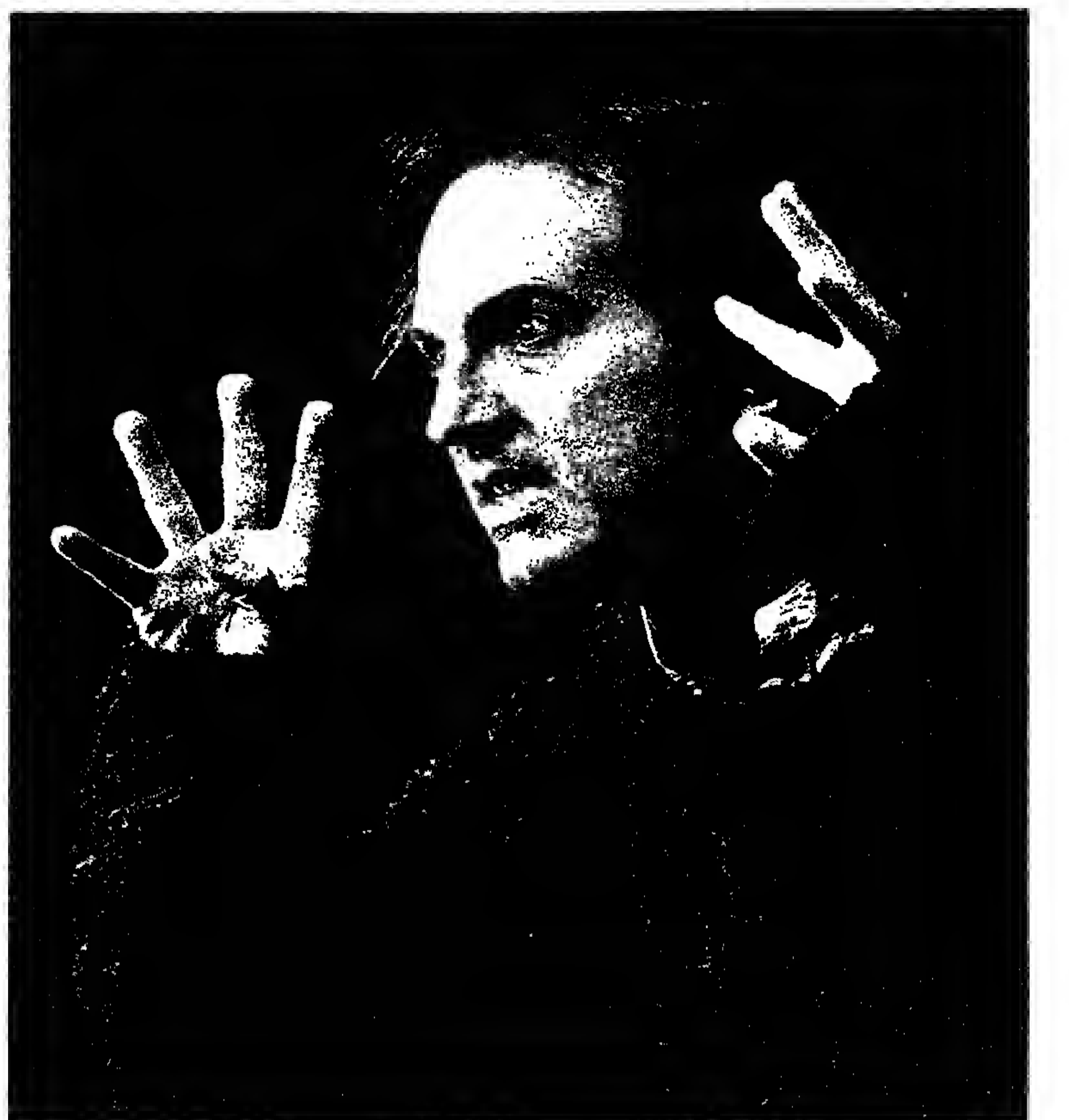
He has other accomplishments also – and this is, ironically, why his Hamlet disappoints. The accomplishments get in the way of the interpretation. They are especially apparent in vocal terms. Those people who say that modern actors do not know how to speak Shakespearian verse any more should be sent to hear Maloney. He delivers one entire soliloquy in an intimate *mezza voce*; elsewhere, he jumps from *fortissimo* to *pianissimo* and back again; he strings together three sentences in a single breath; he employs both basso and tenor tones; he employs marvellous legato, sometimes turning it into true *cantilena*; and he is one of those rare actors whose diction is so beautiful that he seems to make the simplest vowels and syllables unique events. I notice, too, that his one technical flaw – shallow (and noisy) breathing – has been cured. If he was singing Werther I would cry "Bravo!" and "Not since Alfredo Kraus".

As with Kraus, everything Maloney does is expressive. His is not technique for technique's sake. I was never bored in watching or hearing him, and there were moments of great interest. In the last half of "To be or not to be", he so hangs his voice's softest tones in the air that I truly felt caught up into the inner workings of his mind. And the way he then, seeing Ophelia, murmurs "Nymph, in thy orisons Be all my sins remember'd" – like an inward prayer – is matchless. But everything is too honed. I felt as if I were seeing not Maloney's first Hamlet but his hundredth.

This is a modern-dress Hamlet, and it is admirable how Julian McGowan's costumes almost never draw attention to themselves. (The exceptions are the over-tattered sweater Hamlet wears when mad north-north west, a loud checked suit Gertrude wears on first appearance, and Ophelia's most improbable colour-scheme during the play scene.) McGowan's set is even better, for without actual scene-changes it skilfully comprises a variety of different spaces – the ramparts, the court interior, the graveyard – each of which Chris Clay's lighting adeptly reveals.

The director is Philip Franks. He draws from his cast some nice minor insights on the one hand (notably from Gertrude, Polonius, Rosencrantz, and Guildenstern) and some over-demonstrative acting on the other (notably from Laertes, and – as usual – in Ophelia's mad scenes). The text is cut to play at three hours and ten minutes. The boring Claudius of George Irving simply will not do; but, in the light of recent discloaures, it is incidentally amusing that he and Gertrude (Dinah Stabb) somewhat resemble Harold Pinter and Joan Bakewell.

At Greenwich Theatre to November 30.



Intense, expressive and eloquent: Michael Maloney in the title role

Alastair Muir

Americans call the tune

The South Bank is running a considerable parade of "American independents". That opaque label is meant for those American composers who have preferred not to purque the lines of European art-music, old *or* new, but something quite distinct: whether it be the manners of American jazz and pop, or of the Pacific borders (oriental as well as occidental), or "systems" music or minimalism, or radically non-systematic music like John Cage's, or – as often as not – some heady *mélange* of those.

They are not independent of each other, not by a long way. Inspiration came variously from old Charles Ives, from *Henry Cowell* and *Colin MacPhee*, then from Cage and Steve Reich; many schools and groupings stem from those disparate originals.

Among the "post-minimalists", the non-purist descendants of Reich & co., the most publicly successful of all is nowadays the eclectic John Adams (he of *Nixon in China*). On Saturday, the London Sinfonietta had him as guest conductor.

He proved to be a precise and sympathetic conductor, not only of his own music but of other people's. We heard the premiere of his *Gnarly Buttons*, a clarinet concerto which exercised Michael Collins' powers in wild elaborations on a 19th-century hymn, a cheerful "Hoedown (Mad Cow)" and a tender pop ballad. The workings-out came closer to pure minimalism than we have heard from him in some time: so too in *Road Movies*, a recent violin-and-piano duo which Clio Gould and John Constable dispatched in cool style.

Otherwise, Adams took the Sinfonietta brightly through Lou Harrison's Pacific-pentatonic *Concerto in Slendro* ("slendro" being the Indonesian label for a five-note mode) and two funky Frank Zappa sketches. Also Michael Gordon's *Yo Shakespeare* (cross-rhythms, slightly anodyne), and Javier Alvarez's *Quemar las Naves* – which showed less definiteness-of-intention than one expects from Alvarez, though he conjured some lovely, aqueous sounds from odd instrumental combinations.

Finally we had an instrumental suite from Adams' recent *I was Looking at the Ceiling and Then I Saw the Sky*, an L.A. "earthquake romance" for seven singing actors and a lusty littla band – something like updated Bernstein, and sensationally effective.

The Sinfonietta audience loved it, as did previous audiences in Edinburgh and Helsinki; somebody must stage the complete show in London.

An "American independent" in another sense is the opera-singer Kurt Streit, who gave his first solo recital here – Schubert, Brahms, Roussel and Vaughan Williams – at the Wigmore on Friday, with Irwin Gage at the piano. With his tall, rangy frame, it seemed natural that he should confine his expressive histrionics, like Robert Mitchum, to just "pointing his suit". But it was astonishing – and a great pleasure – to hear the high, elegant, cut-glass tenor amerging from that frame: pure European style, in excellent German and French, and quite un-American English for VW's *Songs of Travel*.

D.M.

INTERNATIONAL ARTS GUIDE

■ ANTWERP

CONCERT
Koningin Elisabethzaal Tel: 32-3-2024578
● Czech State Philharmonic Orchestra of Brno: with conductor Leos Svarovsky and cellist Michael Kanka perform works by Vorisek and Dvořák; 8.30pm; Oct 28

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Berliner Philharmonisches Orchester: with conductor Kurt Masur and pianist Helen Huang perform works by Britten, Beethoven and Mendelssohn; 8pm; Oct 27, 28, 29

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Die Schöpfung: by Haydn. Performed by the Barockorchester des Kölner Bach Vereins and the Chor des Kölner Bach Vereins, conducted by Winfried Toll; 11am; Oct 27

OPERA
Opernhaus Tel: 49-221-2218240
● Le Nozze di Figaro: by Mozart. Conducted by Alicja Mounk, performed by the Oper Köln. Soloists include Joanna Kozlowska, Iride Martinez and Andrzej Dobber; 4pm; Oct 27

■ COPENHAGEN

DANCE
Det Kongelige Teater Tel: 45-33 69 69 69
● Swan Lake: a choreography by Peter Martins to music by Tchaikovsky, performed by the Danish National Ballet; 7.30pm; Oct 27

■ DUSSELDORF

EXHIBITION
Kunstmuseum im Ehrenhof Tel: 49-211-8992460
● Bertram Jesdinsky: exhibition featuring works by the painter, sculptor and film-maker, who died in 1992. The display includes large-scale paintings, sculptures, drawings, collages, installations, films and video works; to Oct 27

■ INDIANAPOLIS

EXHIBITION
Indianapolis Museum of Art Tel: 1-317-923-1331
● Claudia Matzko: conceptual artist Claudie Matzko creates an installation for the IMA. Through the manipulation of her materials, Matzko reflects on the way people communicate and perceive themselves in the world; from Oct 26 to Dec 22

■ LAUSANNE

DANCE
Théâtre de Beaulieu Tel: 41-21-6432211
● Carmen: a choreography by Antonio Gades and Carlos Saura to music by Bizet, Penella and Lorca, performed by the Antonio Gades Company. Soloists include Stella Arauzo, Antonio Gades, Candy Roman and Juan Alba; 8pm; Oct 26, 27 (6pm)

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● London Mozart Orchestra: with conductor Ian Watson, soprano Eirian Davies, tenor Adrian Thompson and trumpeter Crispian Steele-Perkins perform Handel's The Arrival of the Queen of Sheba, The Water Music and Music for Royal Fireworks; 8pm; Oct 26
Royal Festival Hall Tel: 44-171-9604242
● Moses und Aron: by Schoenberg. Concert performance, conducted by Christoph von Dohnànyi and performed by the Philharmonia Orchestra and the London Voices. Soloists include Philip Langridge, Aage Haugland and Cecile Eloir; 7.30pm; Oct 27
Wigmore Hall Tel: 44-171-9352141
● Yuko Inoue, Duncan McTier and Kathron Sturrock: the viola-player, double bass-player and pianist perform works by Bottesini, Beethoven and Hawkins; 7.30pm; Oct 28

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● London Symphony Orchestra: with conductor Riccardo Chailly and soloists Katarina Dalayman and Gudjon Oskarsson perform works by Schoenberg and Wagner; 10.30pm; Oct 26

■ NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● The Chamber Music Society of Lincoln Center: with artistic director David Shifrin and the Emerson String Quartet perform works by Haydn, Brahms and Edgar Meyer; 5pm; Oct 27, 29 (7.30pm)
Carnegie Hall Tel: 1-212-247-7800
● Orchestre Symphonique de Montreal: with conductor Charles Dutoit and cellist Han-Na Chang perform works by Dvořák, Haydn and Respighi; 2pm; Oct 27

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Rigoletto: by Verdi. Conducted by Carlo Rizzi, performed by the Metropolitan Opera. Soloists include Swenson, Livengood, Lopardo and Pons; 8pm; Oct 28

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Paul Facchetti: exhibition devoted to the work of Paul Facchetti (b. 1912) who was active as a photographer in Paris in the 1940s and 1950s; to Jan 6

THEATRE
Festival d'Automne Tel: 33-1 42 96 96 94
● La Maladie de la mort: by Marguerite Duras. Directed by Robert Wilson. The cast includes Lucinda Childs and Michel Piccoli. Performance at MC 93 Bobigny, as part of the Festival d'Automne; 8.30pm; Oct 25, 26, 27 (3.30pm)

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● San Francisco Symphony: with conductor Michael Tilson Thomas perform excerpts from Prokofiev's Romeo and Juliet; 7pm; Oct 27

■ STRASBOURG

EXHIBITION
Musée des Beaux-Arts & Arts Decoratifs - Palais Rohan Tel: 33-88-52 50 00
● De Giotto à Canaletto: exhibition of Italian paintings from the museum's collection. Alongside these paintings, works are shown by French, Spanish, German and Dutch artists who travelled or settled in Italy. Artists represented in the exhibition include Raphael, Veronese, Cima da Conegliano, Salvator Rosa, Canaletto, G. Domenico Tiepolo and Giotto; to Oct 27

■ SYDNEY

AUCTION
Sotheby's Tel: 61-2-3323500
● Fine Tribal Art and Aboriginal Bark Paintings: each year Sotheby's Australia holds one auction devoted to the sale of works of tribal art from the Pacific Rim, Africa, Melanesia and Australia. The core of this year's auction is the sale of selected works which have been consigned from the Glenbow Museum in Canada, and more than 600 oceanic works of art from the Christensen Fund which were acquired more than 30 years by the late Alan Christensen; 2pm; Oct 27, 28 (6pm)

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● Wiener Symphoniker: with conductor Rafael Frühbeck de Burgos and pianist Rudolf Buchbinder perform works by Mozart and Beethoven; 8.30pm; Oct 27

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FT Business Morning

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European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

A way with words

Redefining criteria for 'first wave' entrants to monetary union could buy Britain more time to make its decision

Timing is often everything in politics. But sometimes words count for more. Clever language might yet offer a partial escape route from Britain's agonising choice over whether to participate in a single European currency.

No one doubts that the decision will be one of momentous consequence. It will shape the economic future. It will also chart the nation's course in world affairs. Ultimately, politics will weigh more heavily than economics. For that reason, if economic and monetary union works, Britain's answer will be yes. Eventually.

This last caveat is important. A successful Emu would define the political core of Europe. Westminster's politicians would not be content to stand indefinitely on the periphery. Too many pretensions are at stake. How long otherwise would Britain retain a permanent seat on the United Nations Security Council, or its privileged place within the Group of Seven industrial nations?

But both the politics and the practicalities weigh against signing up for January 1 1999. The political obstacles are well known. A re-elected Conservative government could not take such a decision without tearing itself asunder. If Tony Blair replaces John Major in 10 Downing Street, he will have other, more pressing, priorities. Labour's shadow cabinet is divided. Mr Blair knows that rushing into a single currency would be a frightening gamble.

Then there are the practical obstacles. I wrote about these earlier in the summer. Since then, there has been much confusion and deliberate misinformation. So it is worth setting out in some detail the relevant legislative hurdles and the deadlines. All these assume, of course, that Britain meets the economic convergence criteria and that its partners are prepared to waive that clause in the Maastricht treaty demanding a proven track record in the exchange rate mechanism.

Curiously, if the government did decide to scrap the Maastricht opt-out, there would be no requirement for a "bill to abolish sterling". Instead, European law, substituting the euro for national currencies, would have direct application in Britain.

Parliament's debate on the substance of the decision would flow from one of the provisions of the Maastricht Act. This requires a separate decision by parliament before the government notifies its intention to join a single currency. The expert view in Whitehall is that the legal provisions for a referendum would probably be tacked on to this legislation. Like Mr Major, Mr Blair is committed to a plebiscite unless Labour says at the general election it intends to join Emu.

Careful scrutiny of the treaty has persuaded the experts that, formally at least, the notification measure would have to receive parliamentary assent by January 1 1998. The protocol enshrining the British opt-out requires that it waive its exemption by that date if it wants to join the euro bloc a year later.

> The next government needs time to make a more considered choice . . . The right thing to do is to keep the options open

The other main legislative requirement is the grant of independence to the Bank of England (including the transfer to the Bank's ownership of a substantial proportion of, if not all, foreign exchange reserves). A separate provision in the treaty prohibiting the monetary financing of government debt demands reform also of the legal framework governing the Bank's money market operations. The experts are agreed that the latest deadline for these two changes is July 1 1998, the last possible date for establishment of the European central bank.

It is this timetable for legislation which would demand an almost instant decision from the winner of the general election which Mr Major intends to hold next spring. Of course, the dates are not set entirely in stone. If an incoming government showed itself in deadly earnest, its European partners might well grant it some leeway.

One could imagine, for example, the notification deadline slipping from January to March 1998, the point at which EU leaders will decide how many other countries qualify. If the whole project were delayed by, say, six months, the British timetable could be similarly adjusted. And the Treasury is already drawing up plans to give the politicians as much time as possible. It is obvious, though, that if Emu proceeds according to plan, the British government will have to make up its mind before the end of 1997 and, almost certainly, many months before.

It was this tight schedule that persuaded me that the two main parties could no longer pretend that the single currency was an issue for the dim, distant future. By the time the election is fought, the voters will rightly demand of Messrs Major and Blair, if not a definitive answer, an honest expression of intent.

For the Tory Eurosceptics (and for some cabinet ministers who might have been expected to know better), there is an obvious answer. Since there is no prospect of Mr Major deciding in favour next year, he should say now that a Conservative government would keep sterling at least through the lifetime of the next parliament. In practice, that would mean forever. As for the sceptics in Mr Blair's party, they would like him to say that Britain will not be in the first wave, even if it reserves its subsequent position.

It is here we come to the capacity of language to redefine the options. Hitherto the "first wave" has been taken to refer to those countries which lock their exchange rates from January 1999. For reasons unconnected with Britain, that definition is already being shaded. Germany is alarmed at the resolve of Italy, Spain and Portugal to be in the vanguard. The political will in these "Club Med" countries is in inverse proportion to their potential to meet the economic convergence criteria.

There is a way out. The first wave might be re-defined to include all those countries which join Emu between 1999 and 2002. Only at that latter date, after all, will euro notes and coins physically replace national currencies. The Club Med countries would spend another year or two adjusting their economies in return for a guaranteed place before 2002.

Britain should back this strategy with every ounce of its remaining influence in Europe. The next government needs more time to make a more considered choice. To that extent, I sympathise with the politicians. The right thing to do is to keep the options open.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Moves by Italy to meet Emu criteria no 'one-year wonder'

From Mr Paolo Galli.

Sir, In its evenly balanced comments on Emu perspectives, your newspaper has recently focused on the obstacles that Italy – and other "Club Med" countries – face "in demonstrating that next year's budget cuts ... are more than one-year wonders" ("A deficit of credibility", October 21).

I readily acknowledge that what the Italian government is trying to do is difficult and will entail a considerable effort from the Italian economy. Let me mention, however, some elements which point to the fact that keeping in line after 1998 is not impossible.

The data referring to inflation (from 6 per cent in July 1995 we aim to reach about 3 per cent at the end of 1996), to government deficit (which should be about 3 per cent in 1997 and 2.9 per cent in 1998), show that the tendency towards meeting the Maastricht criteria is constant. Primary surplus (more than 4 per cent in 1996, and growing) shall guarantee that the deficit criterion is respected, as soon as interest rates are reduced. And, with monetary union, this reduction is automatic.

In 1997 we aim to quicken the pace of an ongoing process which will inevitably continue: we will try to obtain in the course of that year what originally we thought of doing in 1997-98 and fill the temporary gap in the deficit deriving from the delay of the year in aligning interest rates with Europe.

May I also point out that some other "non-Maastricht" parameters used in gauging a country's economic performance are in the case of Italy significantly better than in many of our European partners. For example, it is often overlooked that the Italian overall debt, the importance of which I do not deny, is largely financed from internal resources, in a country which has the second-highest saving propensity among the G7 countries. Add to this the high level of the balance of payments and the recent improvements in the Lira/D-Mark exchange rate.

In conclusion: the situation is no doubt difficult, and requires sacrifices, but is far from hopeless.

Paolo Galli,
ambassador,
Italian embassy,
4 Grosvenor Square,
London W1X 9LA, UK

WTO must face issue of labour standards

From Mr Neil Kearney.

Sir, Alasdair Smith of the Sussex European Institute (Letters, October 23) does not seem to be following the debate on linking trade and labour standards through the World Trade Organisation. If he was, he would see that the main pressure for action is now coming from workers in developing countries, particularly children and young women who have been the biggest victims of the exploitation riding on the back of unregulated globalisation.

Governments around the world are notoriously unresponsive to the abuse and maltreatment of these workers, especially in the garments and footwear sectors. Fortunately, consumers in the industrialised world are pushing the leading retail chains to clean up their act by outlawing rights abuses, including child labour, by their suppliers.

But, securing respect for internationally agreed labour standards should surely not be entrusted to unilateral action by individual retailers over which the international community has no influence or control.

Responsible governments everywhere should now be demanding that the WTO faces this issue head on and establishes a working party charged with examining the relationship between trade and core labour standards and providing the WTO with a steer for the future.

Neil Kearney,
general secretary,
International Textile, Garment & Leather Workers' Federation,
rue Joseph Stevens 8,
B-1000 Brussels, Belgium

Uncalled for

From Mr Roger Dean.

Sir, The savings offered by telecommunications companies on international phone calls through the callback services ("Call up for savings", October 22) are indeed considerable – but come at a hidden price. When I first started to use such a service, I was impressed by the quality and even more by the bills. Over time, the quality deteriorated and repeated complaints failed to secure an improvement.

Even worse were the persistent "ghost" calls in the middle of the night. I changed to a new service and the first night I was woken yet again. Until this problem can be ironed out, I shall continue to opt for dearer calls and quiet nights.

Roger Dean,
55 Hemelsteenstraat,
1970 Wezembeek-Oppem,
Belgium

Sad end to Dole's career

From Mr Daniel Goncharoff.

Sir, Michael Prowse attempts to make "The case for Dole" (October 21), citing both Dole's personal struggles and his political talents. Unfortunately Prowse fails to see what the American people instinctively feel – that Dole is a conciliator, not a leader. While a master behind closed doors, he is unable, and perhaps too principled, to reduce the complicated issues that confront the nation into simpler concepts with a clear direction.

Dole revealed his character during the fight over the "Contract with America", when he crushed the growing momentum of a more conservative Republican agenda with which he could not agree, rather than working to adopt some more palatable version he could call his own. His unwillingness either to lead by redirecting the agenda, or to ride the tide while waiting for chances to moderate the more extreme points on the agenda, was perceived as negative and weak.

Indeed, it handed to President Clinton the opportunity to step into a void and make his own those aspects of the agenda that were appealing to the electorate, despite the antagonism of many elements within the Democratic party.

Now Dole endorses many policies he fought against in an attempt to turn voters' heads. A sad end to an otherwise illustrious career. If only Dole could now cede victory in exchange for his old job. That would be the best result for the country and for Dole.

Daniel Goncharoff,
Aystettstrasse 6,
Frankfurt, Germany

Europa · Sergio Romano

Risky road to reform

D'Alema is gambling on a deal with his former enemy to change Italy's constitution

This is the latest Italian paradox. Two years ago, the most interesting and promising figure of Italian politics was Silvio Berlusconi, a fiercely anti-communist media tycoon who created a new political party, Forza Italia, scored a remarkahle success at the 1994 national electinns and became prime minister.

Two years later, the most interesting and promising figure of Italian politics is Massimo D'Alema, leader of the PDS (the Democratic Party of the Left) which Berlusconi had snundly defeated. D'Alema is a former communist, known for his Stalinist youth and strictly orthodox party line. But he has become an imaginative and courageous reformer. This is not all. The enmity and rivalry between D'Alema and Berlusconi have been replaced hy a constitutional pact for changing the Italian political system. This remarkabla double somersault demands some explanations.

D'Alema has won the elections as the *de facto* leader of a centre-left coalition. Without the organisational and logistical sopport of the PDS, the so-called Olive Tree coalition could have never defeated the centre-right alliance between Berlusconi's Forza Italia and Glanfranco Fini's Alleanza Nazionale.

But the leader of the winning party could oot become the leader of the country because the members of the coalition had agreed before the elections that the prime minister, in the event of victory, would be a catholic economist, Romano Prodi, former president of Iri, the large industrial state holding. Since then, D'Alema has understandably been working to make sure that this will not happen again. His main objective is the transformation of the PDS into a larger, more flexihle social democratic political force.

His model, among others, is Tony Blair, leader of the British Labour party. The former Stalinist seems to have understood much better than some of his party's comrades that Italian society has undergone radical changes and that a "party of the working class" cannot attract the "bourgeois" votes needed to win the elections. This transformation of the fnrmer communist party – the second since the fall of the Berlin wall – should take place at the party conference next spring.

D'Alema's project, however, will only work within a new political system. To hecome the leader of the centre-left and prime minister, he needs a constitutional framework that concentrates votes in two political forces and gives the leader of the winning one the undisputed right to govern.

To achieve what may be called the "anglicisation" of Italian politics, the country probably needs a new electoral law more clearly based on the first-past-the-post principle, the direct election of the prime minister and a mnch stronger executive. D'Alema thinks this can be achieved by a parliamentary commission on the constitution, fnrmed by an equal number of deputies and senators. The law establishing the commission will shortly have its second reading.

It is almost certain that the commission will be operational hy the end of the year. It is far from certain, however, that its passage will be smooth and uneventful. D'Alema's political projects are strongly opposed hy most of the forces which make up the Olive Tree coalition. The leaders of the Rifondazione Comunista (a rih from the left side of the old communist party) know that their movement would disappear and that, in D'Alema's new political force, they would play the role of Tony Benn and other leftwingers in the British Labour party.

The leaders of the Partito Popolare (a rib from the left side of Christian Democracy) know that they would be reduced to a role not unlike that of the leaders of the peasants' parties in the popular fronts of satellite countries during the Soviet era. Romano Prodi himself has no stake in D'Alema's project. If the leader of the PDS succeeds, Prodi will have to abandon, sooner or later, the job of prime minister and probably renounce his political ambitions.

Faced with many enemies, most of them in his own camp, D'Alema has turned to Berlusconi for an alliance, and has found an apparently sympathetic ear. The leader of Forza Italia has two good reasons to accept his enemy's offers. First, he is equally interested in reforming the political system and creating a bipolar democracy in which he will presumably lead the centre-right coalition. Second, he probably hopes to negotiate a better deal for his television empire at a time when parliament will have to approve an anti-trust law on telecommunications. Without admitting the existence of a specific agreement, the leaders of the two main political parties are giving each other friendly messages.

Another condition, however, is required. To reform the constitution with the help of Berlusconi, D'Alema must persuade his friends that the country can live with two distinct majorities – one for the daily requirements of the government, the other for constitutional reforms. In other words, the leaders of the Rifondazione Comunista and the Partito Popolare must accept the principle that D'Alema can be their friend in the government and their adversary in the constitutional commission.

Will they accept? The leaders of the Rifondaziona Comunista have already intimated that they will not, and that they may withdraw their support for the government. D'Alema seems to think that they will hesitate before causing the collapse of the first Italian government since 1947 in which their former comrades from the communist party hold positions of power.

But his assumption may turn out to be wrong. No party likes to agree to a deal that will eventually prejudge its future. D'Alema consequently may soon be faced with a choice of either accepting the fall of the Prodi government as the consequence of his constitutional deal with Berlusconi or agreeing only the less important reforms to which the other parties of the Olive Tree are ready to subscribe.

One way or another, he will be at the crossroads of Italy's political future. He may emerge from the situation as a national leader or lose his bet and join the catalogue of prominent people who tried and failed in Italy's endless constitutional crisis.

The author is a historian and columnist for La Stampa, the Turin daily newspaper

Prominent figures: D'Alema (left) and Berlusconi

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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Bundesbank barks loudly

The remark by Mr Otmar Issing this Wednesday that interest rates were at a historic low and "more was neither to be expected nor necessary" was not a surprise. It was certainly less surprising than its opposite – a statement that monetary policy was too tight – would have been. The question is whether the Bundesbank's bite will match its disinflationary bark. The plausible answer is yes.

This is so even though Mr Issing loves such strong language. At the time of dollar weakness in early 1995, for example, he insisted that D-mark revaluation had brought "only benefits, including falling inflation and protection against overheating.

Later, on June 27 1996, he argued that "monetary policy has done what it could do". On August 12 he declared that a cut in leading interest rates would not provide a solution to Germany's problems and added, sarcastically, that "if morale in Germany hinges on the Bundesbank cutting the repo rate by 10 or 20 basis points, things are pretty dire". Yet on August 28 the repurchase (or "repo") rate was cut by 0.3 percentage points.

Nevertheless, there are at least three good reasons for taking Mr Issing seriously.

The first is the clarity of his language and the support provided by Mr Johann Wilhelm Gaddum, the vice-president. The second is the historically low level of interest rates. The discount rate of 2.5 per cent does allow some easing of the repo rate below its current 3 per cent. But any lowering of the discount rate itself, now at a record low, would be an admission of crisis.

The third is the evidence of recovery: industrial output rose 6.4 per cent between its recent trough in February 1996 and August; and gross domestic product grew at an annualised rate of 2 per cent between the last quarter of 1995 and the second quarter of this year. Meanwhile, annualised monetary growth of 8.4 per cent between the last quarter of 1995 and September is above the target range; and the trade weighted nominal exchange rate has depreciated more than 6 per cent from its March 1995 peak.

If it were not for very low consumer price inflation, running at slightly below 1½ per cent in the year to September, the Bundesbank might even be thinking of tightening. Monetarist observers already argue that overly expansionary policy is sowing the seeds of a rise in inflation.

The conclusion is evident: it will take very bad news on the real economy, a collapse in monetary growth or far lower inflation to persuade the Bundesbank to ease monetary policy further. Mr Issing is not just barking. His teeth are sharp.

Brcko blues

Once again, Europeans and Americans are at odds over Bosnia – this time over the US "train and equip" programme for the Moslem-Croat Bosnian army. The US insists this is essential to create a balance of power in the Balkans.

The British and French retort that balance should be achieved by levelling down, not up. The Moslem-Croat federation, they point out, remains a largely mythical construct. Moslems and Croats could end up using the weapons against each other.

Even if that does not happen, it is far from clear that the Moslems need weapons to deter a new attack on them by the Serbs, since the latter are by and large satisfied with the territorial provisions of the Dayton accord. By contrast the Moslems, if well armed, would have abundant motive for going on the offensive against the Serbs, who (in defiance of the accord) are refusing to let Moslems return to their former homes.

One likely place for such an offensive to start is Brcko, on the Sava river which forms Bosnia's northern frontier with Croatia. This town, one of the wealthiest in pre-war Bosnia, had a Moslem majority but is now in Serb hands, and the Serbs consider it a vital part of the corridor connecting the lands they hold in northern Bosnia with those in the east and with Serbia proper.

Brcko was the rock on which the Dayton negotiations very nearly foundered. They were saved only by referring to binding arbitration "the disputed portion of the Inter-Entity Boundary Line in the Brcko area indicated on the map attached at the Appendix".

Unfortunately no map was included. This has enabled the Serbs to claim that the area in question does not include the town of Brcko and the arbitrators should deal only with the width of the corridor. The Moslems assert the opposite, believing they have a right to their homes in the town and that a foothold on the Sava would give them access to "Europe".

Solomon himself could not arbitrate this dispute to the satisfaction of both parties by December 14, as the hapless Mr Roberts Owen, a US official, is supposed to do. The Serbs will not leave Brcko voluntarily, and the Moslems will try to fight their way into it if they cannot go back peacefully.

A possible temporary solution, suggested by the International Crisis Group last month, would be to place the town under international administration, with a mandate to ensure the peaceful return of displaced persons and free passage of all non-military goods both east-west and north-south. At all events the powers which failed to resolve the issue at Dayton should now revisit it urgently.

Utility rules

Appetising profits for shareholders and fingerlicking bonuses for senior executives have not proved a healthy diet for the UK's privatised utilities.

After an early burst of profitability, particularly in gas, water and electricity, the press howled and the regulators blew their whistles. Price caps were tightened, anti-competitive practices were scrutinised and vigorous efforts were made to break up unnecessary monopolies.

Now, as shareholders enter a leaner period, there are mutterings in a different tone: "Are the regulators too powerful, too arbitrary, too secretive?" Such questions are being studied by many bodies, including the Hansard Society, the parliamentary trade and industry select committee and the Labour party.

The latest contribution to the debate, from the Confederation of British Industry, yesterday urged caution. This is surely right after a period of rapid evolution during which regulators have been correcting mistakes made at the time of privatisation as well as refining their roles.

One difficulty is that methods of controlling profits by capping prices can seem complex and inconsistent. The CBI is right to resist the idea of imposing consistency via a utilities commission. This extra layer of bureaucracy would cramp the enterprise of individual regulators (which has had largely good results so far) and make regulatory reviews more cumbersome.

However, regulators might usefully consolidate the meetings which already take place into an informal college of regulators. Snch a body could explain and justify the economic basis of regulation and promote a consistent approach to such vexed questions as the valuation of utilities' assets.

This might go some way towards the CBI's demand for more openness. A formal system of consultation with advisory panels consisting of private and industrial customers would also help, as would more regular reviews by a parliamentary select committee.

The most difficult questions, however, turn on the reform of UK competition policy and the relationship of regulatory bodies to the Monopolies and Mergers Commission. It is widely agreed that an MMC inquiry is too slow and expensive to be an appropriate way of settling all disputes in this sector. The CBI's idea of reforming the commission to allow it to act as a fast-track court of appeal is worth more study.

If appeals became too easy, decisions by the MMC might simply replace those of the regulators. Despite this danger, some such checks will be needed as regulators acquire (as they should) increased powers to police competition rules. Competition, rather than complex pricing regimes, is far the best way to turn an obese cat into the consumer's friend.

Mission for miracle-workers

Robert Chote asks whether the Irish can maintain growth and keep the lid on inflation as they prepare to join the single currency

Dublin is a city of cruel contrasts. The shops of Grafton Street and the trendy restaurants of Temple Bar overflow with people eojoytog the fruits of Ireland's economic miracle. But in areas such as Darndale, to the north of the city, a drug culture thrives and many depend on welfare payments and the black economy.

This contrast between rich and poor has been brought into sharp focus by the ecooomic renaissance Ireland has enjoyed since the late 1980s. After failing for decades to narrow the income gap between itself and richer competitors, over the past three years Ireland has seen its economy grow three times as strongly as the rest of the industrialised world. The surge shows no sign of flagging: healthy consumer spending and strong investment have enabled the economy to grow at an average of 7.5 per cent in 1994 and 1995, but inflation is running at less than 2 per cent.

In an attempt to maintain this combination, the government and trade unions are discussing a new national pay agreemeot to replace the Programme for Competitiveness and Work, which expires this year. Most observers believe a deal dellvering pay restraint is essential to keep growth on track, although some fear that renewing the incomes policy will make wages too rigid as Ireland prepares to join a single European currency.

For most countries, high budget deficits are the biggest barrier to participation in a single currency. The Maastricht treaty specifies applicants should horrow no more than 3 per cent of gross domestic product in 1997. While many are struggling to achieve this, Ireland has managed it for the past eight years.

"The scare Ireland got in the 1980s produced a cross-party consensus in favour of low government borrowing," says Mr Terry Baker of Dublin's Economic and Social Research Institute, recalling the slow growth and lax budgetary policies of the late 1970s that left the Irish government borrowing 20 per cent of GDP in 1981 and its deht topping 120 per cent by 1986.

This proved a watershed. The governing coalition collapsed as Mr John Bruton of Fine Gael, finance minister at the time and now prime minister, proposed spending cnts that were unacceptable to his coalition partners. Fianna Fáil, which formed a minority government after campaigning against the coalition'a "Thatcherite" policies, promptly introduced a budget even more draconian than Mr Bruton's.

This budget, helped by an amnesty on unpaid tax, which raised 17 times more revenue than the Department of Finance expected, cut governmeot horrowing by two-thirds between 1987 and 1988. Economic activity and tax revenues benefited from an upsurge of consumer spending in the UK – Ireland's closest trading partner – as well as cuts in interest rates and improved competitiveness following a devaluation of the Irish punt.

Arguably, this laid the foundations of the present strong economic performance. Continued low deficits have cut the debt-to-GDP ratio to barely 80 per cent, reducing interest rates and boosting activity in a virtuous circle. But can it last? Professor John O'Hagan, of Trinity College, Dublin, has his doubts.

"Public spending is not rising as a proportion of gross domestic product but only because the economy is growing very strongly," he says. "What happens when growth slows from its current remarkable rates? I fear we are making spending commitments we cannot honour."

A cabinet committee met yesterday to discuss spending, which some ministers describe as "cancer-like". Excluding capital projects and after inflation, government spending has risen by 4.75 per cent a year during the 1990s.

The budget deficit has remained low because real tax revenues have grown hy 4.5 per cent a year and the cost of servicing the government's debt has fallen from 7.7 per cent of GDP to about 5 per cent. The Department of Finance expects a deficit this year of 2.3 per cent of GDP, below its budget forecast.

The outlook for the public finances will depend in part on whether rapid economic growth can be maintained. One problem is that Ireland's success means it will get less money in coming years from the European Union. During the 1990s, the EU has contributed more than 5 per cent a year to Ireland's GDP.

At least there is no sign of the upswing hitting the inflationary buffers. Inflation averaged 2.5 per cent in 1994 and 1995 and should stay less than 2 per cent this year. The central bank is nervous about rising house prices and mortgage credit, but this reflects concern about the lending policies of banks and building societies rather than a fear that huoyancy in housing will spill over into other prices. Ireland's economy is so open to foreign trade that its inflation rate is largely determined by the exchange rate and inflation overseas.

Mr Mark Fitzgerald, managing director of estate agents Sherry Fitzgerald, calculates that house prices in Dublin have risen by 15 per cent this year and by rather less elsewhere. He dismisses fears of a property market bubble, arguing that prices are merely recovering from recent weakness and reflecting the health of the economy: "You can see it walking down Grafton Street. Educated young people are driving the economy and spending money."

The Organisation for Economic Co-operation and Development has warned that inflationary pressures might be mounting. It believes Irish output is probably above the "potential" level consistent with stable inflation – the only industrial country bar Norway in this position. But potential output is difficult to measure in Ireland because emigration and immigration help the labour force adjust to changing demand. And multinational companies locate there to exploit low corporation tax rates, rather than because Ireland is short of industrial capacity.

Ireland has long attracted foreign direct investment, notably in chemicals, pharmaceuticals, computer hardware and software. This has helped factory production to grow strongly over the past couple of years, while consumer spending has boosted the domestic service industries. International Business Machines, the computer maker, already employs 1,000 people in Ireland and plans to establish a customer support centre in Dublin. Oracle Corporation, Hewlett-Packard and Gateway 2000 bave all recently announced plans to set up or expand existing Irish operations. In 1994, overseas companies provided 44 per cent of Ireland's factory jobs.

"The presence of so many multinational corporations creates enormous statistical problems," says Professor Antoin Murphy of Trinity College. Output and export earnings are both overstated because of "transfer pricing": multinationals charge artificially low prices for components bought from other branches of their companies, artificially boosting the recorded value of their Irish output and profits.

The presence of multinationals means GDP is also an inaccurate indicator of living standards, even though the EU uses it to assess Ireland's entitlement to financial help. Of every I£8 of output supposedly produced in the Irish economy, I£1 leaves the country in repatriated profits or interest payments to foreign holders of government debt.

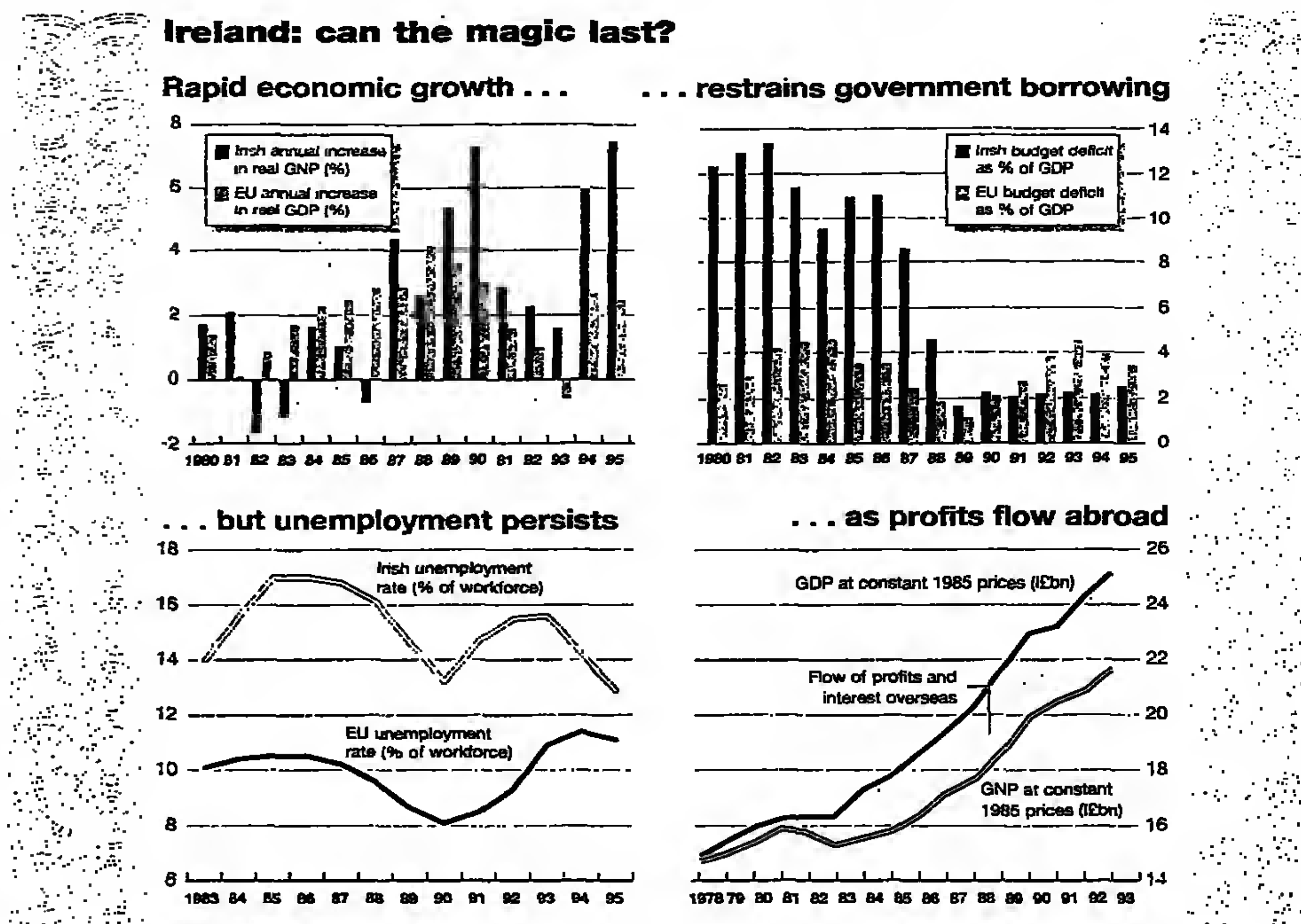
Even if the multinational sector's output is overstated, its growth and productivity no doubt outshine indigenous industries such as steel, drink and tobacco. These are more reliant on domestic and UK markets, which suggests they may be vulnerable if Ireland signs up to a single currency and the UK does not.

The Economic and Social Research lostitute warned recently that these sectors would suffer badly if sterling fell sharply against the single currency, but added that the gain from lower interest rates would more than compensate. Mr Jim O'Leary, chief economist at Davy Stockbrokers, believes that Ireland should not join a single currency without the UK, although he expects that it will. In that event, he argues that Ireland's corporatist wage-setting approach – in which the government in effect buys wage restraint with tax cuts – should be abandoned. The economy will then be better placed to adjust wages if the interest rates set by the European central bank make that necessary.

Both supporters and opponents of the Programme for Competitiveness and Work agree that moderate and flexible wage-setting will be essential to protect Irish jobs and living standards, especially if the country enters monetary union without the UK. Unemployment is well down from its near 16 per cent peak in 1992-93, but it remains stubbornly above the European average with long-term johlessness a particular problem. In a single currency, excessive wage increases are likely to increase unemployment rather than inflation, which would worsen the problem of urban poverty and thereby widen the social divide in the country's cities.

For the preseot, Ireland's economy remains strong, demonstrating the rewards that an assault on government borrowing can deliver. But maintaining the miracle poses a number of challenges. It demands tougher control of government spending, continued moderation in wage-setting and greater efficiency in indigenous industries and services.

Joining a single currency will not make this easier – only more important.



Source: Datastream

· O B S E R V E R ·

Reluctant to judge

■ South Africa has just appointed its first black chief justice and Court of Appeal head – but only after a dramatic intervention by President Nelson Mandela himself.

Judge Ismael Mahomed, 65, an Indian, who is the country's first black senior counsel, had seemed as if he was a favourite for the slot anyway. So why did Mandela outrage othsr Supreme Court judges by specifically calling for him to get the job – before the judicial services commission, which assesses the candidates and makes recommendations to the president, had approved his application?

The intervention of Mandela, himself a former lawyer, can hardly be put down to ignorance of legal protocol, after all. And in the unlikely event that he had failed to win ths commission'a support, the final choice lies with the president anyway.

Could it have been, then, that Mahomed was a shade reluctant to take up the post? After this week's swearing-in ceremony, he did let slip that the posting would "revive fresh wounds and painful memories". Presumably this refers to the fact that he will have to return to ths Free State town of Bloemfontein, where be first worked as a young advocate during the apartheid era. At that time, local laws barred Indians from remaining in the Free State after dark and the young lawyer was forced to commute daily from the Transvaal.

Quite aside from the private emotions, Mahomed is a very busy man already. But that is a tricky argument to put to a 78-year-old president whose working day begins at 5am.

Poles apart

■ An eye-catching, full-page colour advertisement on behalf of AEG appeared in the latest issue of Wprost, a Polish weekly. It depicts a vacuum cleaner in the Sahara desert. The accompanying text reads:"Not everyone is willing to take on some tasks. But orders are orders. AEG domestic appliances: German precision, German quality, German cleanliness, German reliability. Everyone who knows that quality flows from experience chooses AEG. AEG: There must be order."

Any raised eyebrows would be entirely out of place. The ad was written by young Poles at US agency BBDO's local office in Warsaw, and is aimed at the young rich set, who, they say, have an entirely positive image of Germany.

Oh and by the way, AEG is these days owned by Electrolux of Sweden.

Happy birthdate

■ With John Major, the UK premier, teasing everyone on the choice of dates available for him to chance his arm with the electorate, the political guessing game is in full swing.

If he does go for May 1, then it will be only the fourth general election this century beld in that month. Labour won at the very end of May 1929, the Tories were victorious in May 1955 and Margaret Thatcher arrived in May 1979.

The record shows that, in the 25 elections this century, most prime ministers have confronted their fate in October.

Since 1935, they've been required to take place on a Thursday.

This time, Major has got until May 22 if he feels the need to hang on to the very end. It might be worth remembering, though, that in 1992, he went on April 9 – wife Norma's birthday. His own anniversary occurs on March 29.

Without fire

■ André Malraux, the outspoken French politician, writer and adventurer, would not havs been amused. Hs is to be interred in the Panthéon, the final resting place for Republican heroes, next month on the 20th anniversary of his death.

So far, so good. But he is also getting a celebratory stamp. Problem is, the 1935 photo being used for the portrait has been retouched – in these politically correct times – to removs the cigarette that had dangled from his lips. Judging from the new image, Malraux was well advised to keep puffing away on those Gitanes. He also looks distinctly chubbier and older than on the original photo.

In orbit

■ American voters may not be the most conscientious in the world, but US citizen John Blaha certainly wants to vote in the presidential election.

But he can't. He has a subsequent engagement, and will be on Mir, the Russian space station. Blaha, who has been training in Russia, omitted to ask for an absentee ballot. While NASA has offered to relay Blaha's choices electronically to the county clerk's office, Texas state law is stuck in the pre-electronic era, and there are no provisions for such cases.

Now George Bush, governor of Texas and son of the former president, has been asked whether he will make an exception. He should – after all Blaha can boast a detached view.

The Financial Times

50 years ago

Helping Hand For France
The recent serious advance in French price levels makes it clear that the country's economy is passing through a critical phase. It is encouraging that no time is being lost in implementing the general agreement for expanding Anglo-French trade, concluded a little over a month ago. France has to solve two main problems: the reorganisation of her public finances, to check the present wages-prices spiral, and the establishment of equilibrium in overseas trade. It is to be hoped thet, with the constitutional battle over, a strong French Government will immediately tackle the related questions of price control and the regulation of public expenditure.

Czechs To Pay Compensation
At a press conference yesterday the Czechoslovak Foreign Trade Minister, M. Ripka, stated for the first time the Czechoslovak point of view on liquidation compensation for foreign investments. "Ws feel," he said, obliged to pay all foreign investors in full, and a special committee will be formed to discuss details of the new Government's approved compensation scheme. My opinion is that the matter should be solved quickly."

FINANCIAL TIMES
Friday October 25 1996

Tokyo prepares to resume aid to China after 18-month break

By William Dawkins in Tokyo

The Japanese government may soon grant aid to China, after a break of nearly 18 months, in recognition of Beijing's decision to sign the United Nations' global ban on nuclear testing.

An end to the block on aid – imposed in May 1995 – would be seen in Beijing as a sign of Japanese goodwill at a time when bilateral relations are extremely strained.

A foreign ministry proposal to resume aid, suspended as a protest against a Chinese nuclear test last year, is awaiting the approval of the incoming government. The leading political parties are still struggling to put together a new coalition after last Sunday's national election. Aid could be resumed before the end of the year, officials said.

Tokyo's feelings towards the Beijing government soured further when China carried out a second nuclear test last July. In the run-up to that explosion, Japan even considered extending the aid ban to include official soft loans, which make up the bulk of its official funding for China.

Beijing's relations with Tokyo came under additional strain in the following two months because of a dispute over a group of islands in the East China sea.

Japanese officials stressed yesterday that any decision to renew aid to China would simply be a consequence of the end of testing. It would not be an attempt to calm the dispute over the islands.

They admitted, however, that a message of goodwill to Beijing might be more than usually helpful to Japan's hopes of re-establishing relations with its second largest trade partner.

Japan disbursed Y7bn ($64.8m) in grants to China – mainly for medical, educational and humanitarian needs – in the year to March 1995. Subsidised credits, which Japan lends for infrastructure projects, reached Y140bn in the year to last March.

Japanese officials called on their government to consider lifting the ban soon after China announced a moratorium on nuclear testing following the explosion in July. The UN test ban treaty was signed last month. There was little or no Japanese political opposition to resuming aid, but the three-party coalition that ruled before last Sunday's election was nevertheless unable to reach a consensus.

A decision was delayed by the election campaign, in which foreign policy concerns played almost no part.

The dominant Liberal Democratic party fell slightly short of a majority and policy decisions have been put on hold while it puts together a alliance.

LDP officials do not expect to convene parliament to select the next prime minister until November 7. The next cabinet would be formed shortly after that.

● Taiwan government officials yesterday forbade activists from making a flight to the disputed East China Sea islands, which are also claimed by Taipei. The activists had hoped to drop flags on the deserted islands today.

EU jobs market report blocked

Industry leaders angered as Brussels rift causes hold-up

By Emma Tucker in Brussels

European industry leaders are furious that release of a comprehensive report on EU competitiveness is being blocked because of an ideological rift inside the European Commission over the need for greater labour market flexibility.

Unice, the European employers' organisation, believes publication of the report, which traces the link between high unemployment and labour market rigidities, is a central test of Brussels' willingness to endorse labour market flexibility and deregulation.

Officials from the Commission's social affairs directorate want to exclude aspects of the report. In particular two graphs that demonstrate the correlation between high unemployment and high redundancy costs and between high unemployment and complex labour market laws.

"Europe suffers from low rates of net job creation and low rates of employment," said Mr François Perigot, president of Unice. "It is high time to look more deeply into this phenomenon and see to what extent the functioning of the labour market itself can be considered a major cause."

Mr Perigot's demand comes against a background of renewed tensions in countries where governments are carrying out politically sensitive restructurings of their economies.

In Germany yesterday tens of thousands of workers staged a second day of nationwide protest against employers' demands that labour costs be reduced. Belgian unions have called a general strike for Monday in protest over government welfare reforms.

Industry's demands for greater job flexibility are being countered by the desires of trades unions, public sector enterprises and social policy officials to preserve the traditions of European welfarism.

"The split is philosophical," said one Commission official. "DG5 [the social affairs directorate] sees stability as a value and not a cost."

The Commission report was prepared by the industry directorate and looks in detail at the performance of the European economy and European industry. But objections from DG5, as well as reservations from officials in the environment directorate, mean the Commission has only issued a "communication" relating to the report.

Yesterday a senior industry figure said it was very important the Commission gave its support to fundamental changes. "This is very worrying for us because labour market rigidities and changes to the welfare system are the two most difficult reforms needed to boost employment in Europe," he said.

IMF set to halt Russian aid over tax and debt record

By John Thornhill and Chrystia Freeland in Moscow

The International Monetary Fund is likely to suspend the latest tranche of its $10.2bn loan to Russia because of the government's poor tax collection record and its reluctance to open up its debt market to foreign investors.

A mission of IMF experts, which monitors the Russian government's compliance with its loan agreement every month, left Moscow yesterday after failing to reach agreement with local officials.

"In the course of discussion of some elements of the economic programme the parties did not reach a consensus on a number of issues. This does not permit the mission to prepare a report at the moment," said a statement from the Russian central bank.

Foreign investors were unsettled by the breakdown of talks and Russian equity prices slid by more than 5 per cent. Government debt prices also fell sharply, complicating the central bank's plans to issue a benchmark eurobond next month.

The IMF has repeatedly criticised the Russian government's record of tax collection and delayed handing over July's $340m tranche because of concerns about a widening budget deficit. Payments were later resumed after the government lifted tax revenues the following month.

The IMF is believed to have objected to the government's failure to deliver on previous commitments and its delays in granting foreigners greater access to the local government debt market, where yields remain above 50 per cent.

In recent weeks, the government has acknowledged the severity of its revenue shortfall and set up an extraordinary commission to target the worst corporate tax debtors. It has also threatened to put companies into bankruptcy unless they pay up.

Economists suggest the government's authority has been undermined by tax privileges granted to favoured companies before the presidential elections and by political uncertainties over President Boris Yeltsin's health.

The loan, the second biggest the IMF has ever granted, was designed to support Russia's shift to a market economy.

Overhaul at Philips

Continued from Page 1

jobs in the early 1990s, but began to rebuild in 1994.

Nearly 6,000 jobs are already set to be cut as part of a reorganisation initiated in July at its Sound & Vision unit, maker of consumer audio and video equipment. The latest Fl 1bn provision comes in addition to a Fl 800m first-half charge taken to cover those job losses.

Philips declined yesterday to specify where the axe would now fall, or how many more *positions* would go as a result.

Dutch trade unions fear another 1,500-2,500 jobs would be shed within the Netherlands alone.

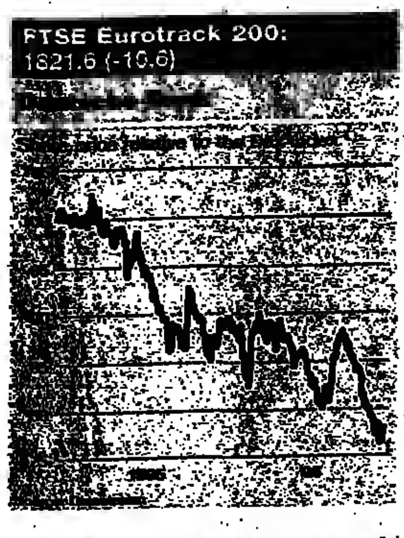
Shares in the company weakened initially in Amsterdam yesterday but closed Fl 1.70 higher at Fl 58.30 as investors took heart at Mr Boonstra's pledge to unlock shareholder value.

THE LEX COLUMN

Switching on Philips

Mr Cor Boonstra, Philips' new president, is out to make his mark. Three weeks into his job, he has already issued a profits warning and a Fl1bn ($578m) restructuring programme. But he has revealed plenty of need for change. At a time of dwindling profits, Philips increased staff numbers by 6,300 between January and September – more than the job cuts proposed in July's restructuring.

Mr Boonstra has set demanding targets. If he achieves double digit earnings growth and a 24 per cent return on net assets, Philips shares represent a bargain. Investors have been here before, with promises that loss-making divisions will be revitalised or axed. However, as an outsider Mr Boonstra looks far more likely to deliver, and his message that Philips will do more with less is a welcome one. Besides, given the shares' significant discount to break-up value, if he cannot deliver value under the existing structure, he will be under far more pressure to change it.



ICI

Imperial Chemical Industries is past the worst. Destocking is over, volumes in mainland Europe are rising for the first time in 18 months and steady economic growth will feed through into demand. Moreover, the management is busily cutting costs – £90m of the £400m of savings promised by end-1997 is already in the bag. Even so, the group is not much of a recovery stock. In several of its biggest businesses massive overcapacity will continue to depress prices and profits.

Considering all that, the shares remain highly rated. Even though its three big German rivals still have the higher-quality earnings of their drug divisions, all four companies are trading on around 13 times next year's earnings. ICI's valuation is supported by a 5 per cent yield. But rapid dividend growth and share-buy backs appear incompatible with its strategy of buying more stable downstream businesses.

BSkyB

Investors in British Sky Broadcasting have every reason to be wary of News Corporation's complex $1bn debt issue. Attaching warrants to some of News Corp's BSkyB stake amounts to a bet by Mr Rupert Murdoch that BSkyB shares will rise less than 20 per cent over the next five years. For a stock that had risen 56 per cent this year alone, that is no vote of confidence.

The debt issue looks like classic opportunism from Mr Murdoch. His money is tied up in News Corp, whose shares have not reflected BSkyB's boom because of concerns over its huge investment in global pay-TV. However, BSkyB has its own equivalent project, DF1 in Germany, and investors have ignored the significant short-term costs and risks of this. As debt repayment slows and UK taxation increases, BSkyB's earnings will start to look less dynamic, while the regulatory environment could deteriorate. News Corp shareholders should be grateful, but those of Granada may feel less so. Its 11 per cent stake in BSkyB has become a far less saleable commodity, and given the pitiful dividend income from a £1.2bn ($1.9bn) investment, Granada does not look like a long-term investor.

Deutsche Bank

While Germany's Dax index has this year been marching to record highs, Deutsche Bank has been travelling resolutely in the other direction. Yesterday's results will have done little to arrest the trend. Once more, Deutsche has disappointed, with the 9 per cent increase in net income well below expectations. Admittedly, the results were dented by the unexpected cost of mopping up behind Mr Peter Young, the rogue trader in its Morgan Grenfell asset management arm. But this should not obscure the bank's deeper-seated difficulties.

The good news is the evidence that the bank's huge spending on investment banking is bearing fruit. Fee and commission income rose, but most impressive was a 47 per cent jump in trading profits to DM2.1bn ($1.4bn). These now constitute two-thirds of total income. But this is a double-edged sword. Large *trading profits* usually require taking big risks, which can backfire. Moreover, they will fall when markets subside. Stripping out trading and provisions, the core businesses are performing badly. This can be laid at the door of poor cost control. The cost:income ratio of 71 per cent is a long way from the "mid-sixties" the bank is hoping for by the end of next year.

If Deutsche's strategy is not to fall into serious disrepute, it will have to start beating expectations, not disappointing. Short term, the huge Deutsche Telekom placing should help. Further out, profits in its corporate business will need to improve.

Standard Chartered

The City's ambiguous attitude to Standard Chartered is once again on display. At the mid-year, the share had outperformed the banking sector by 20 per cent, but that premium has evaporated. To an extent this was predictable, given the performance over the past two years. Bullish forecasts of 20 per cent operating profits growth a year for an extended period left the *shares vulnerable*.

However, there has been little cause for concern. The market has taken subdued foreign exchange profits and evidence of higher spending to secure growth as sufficient excuse to downgrade the shares. The foreign exchange problem of a one-off shift to lower margins is real enough. But currency trading comprises little more than 10 per cent of the bank's revenues.

Insufficient weight is being given to Standard's status as a growth stock, two-thirds of whose profits come from Asia. There are some signs of an economic slowdown in the region, but Standard has a strong personal banking franchise with excellent growth prospects across south-east Asia. The shares are trading on a prospective price/earnings ratio of below 11 for 1996. By contrast, its Asian peers are on ratios of 15-19 times earnings. The current spell of weakness looks like a buying opportunity.

Additional Lex comment on executive pay, Page 23

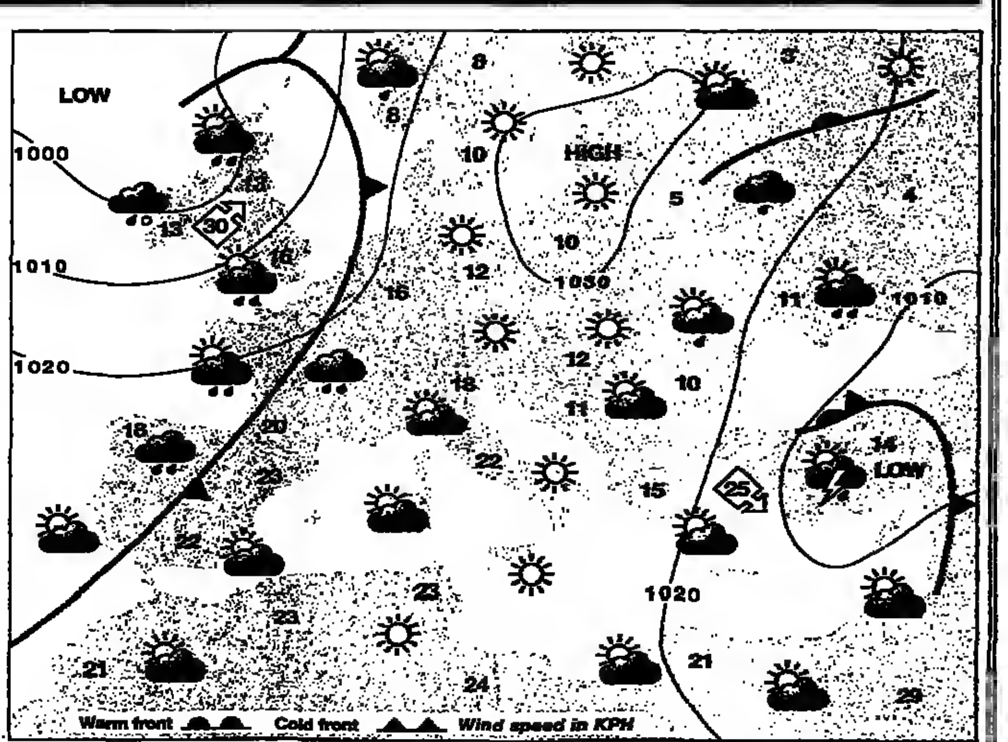
FT WEATHER GUIDE

Europe today

Most areas will be unchanged. There will be patchy cloud as a front moves east from the UK. Behind the front, showers will develop, especially in coastal regions. Central areas will have morning fog and sunny spells later. The Ukraine will be cloudy. Most of the Mediterranean will be sunny. The Spanish and French coasts will have some cloud.

Five-day forecast

Most regions will have unsettled conditions as the remnants of hurricane Lili bring gusty winds and rain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 13	Caracas	fair 33	Faro	sun 24	Madrid	sun 22	Rangoon	fair 33
	Celsius	Belfast	shower 12	Cardiff	shower 15	Frankfurt	fair 14	Majorca	fair 21	Reykjavik	cloudy 7
Abu Dhabi	sun 33	Belgrade	cloudy 8	Casablanca	sun 25	Geneva	fair 15	Malta	sun 22	Rio	fair 29
Accra	cloudy 30	Berlin	sun 12	Chicago	fair 15	Gibraltar	fair 23	Manchester	shower 14	Rome	sun 22
Algiers	sun 23	Bermuda	fair 25	Cologne	shower 15	Glasgow	shower 13	Manila	shower 30	S. Frsco	fair 16
Amsterdam	shower 15	Bogota	shower 18	Dakar	sun 31	Hamburg	shower 12	Melbourne	shower 19	Seoul	sun 16
Athens	thund 17	Bombay	shower 32	Dallas	fair 26	Helsinki	sun 10	Mexico City	shower 25	Singapore	shower 32
Atlanta	cloudy 21	Brussels	shower 15	Delhi	fair 31	Hong Kong	fair 28	Miami	fair 31	Stockholm	sun 10
B. Aires	fair 20	Budapest	fair 12	Dubai	sun 33	Honolulu	fair 30	Milan	fair 18	Strasbourg	fair 15
B.ham	shower 15	C.hagen	fair 11	Dublin	shower 13	Istanbul	thund 13	Montreal	fair 15	Sydney	sun 24
Bangkok	thund 35	Cairo	sun 26	Dubrovnik	fair 15	Jakarta	shower 31	Moscow	sun 4	Tangier	fair 24
Barcelona	fair 22	Cape Town	fair 22	Edinburgh	shower 13	Jersey	shower 18	Munich	sun 12	Tel Aviv	thund 25
						Karachi	sun 33	Nairobi	fair 28	Tokyo	fair 21
						Kuwait	sun 34	Naples	fair 20	Toronto	sun 12
						L. Angeles	windy 21	Nassau	sun 29	Vancouver	rain 9
						Las Palmas	fair 26	New York	sun 19	Venice	fair 17
						Lima	cloudy 20	Nice	shower 19	Vienna	sun 12
						Lisbon	sun 22	Nicosia	thund 23	Warsaw	sun 9
						London	shower 16	Oslo	cloudy 8	Washington	fair 21
						Lux.bourg	shower 14	Paris	shower 17	Wellington	fair 15
						Lyon	shower 18	Perth	sun 25	Winnipeg	shower 8
						Madeira	cloudy 23	Prague	sun 12	Zurich	fair 13

RECRUITMENT

Richard Donkin on the analysis of overseas placements

Expatriate examination

Should companies be doing more to estimate the worth of their expatriate employees given the size of investment in foreign assignments?

Ernst & Young, the accountants, was arguing at its expatriate conference in Paris that companies should adopt some sort of financial analysis of expatriate placements.

It said that it found a surprisingly casual attitude to the evaluation of expatriate assignments among some 100 international companies it surveyed in Europe and north America. Only a quarter of the companies said they prepared any formal business case for relocating an executive and less than half said they agreed a set of documented objectives.

Less than a fifth of the employers regularly checked on their expatriates to see how they were performing and only a third bothered formally to interview returning executives. More than a third of those surveyed did not feel their expatriate programmes had gone well.

UK living costs

		% compared to Greater London
Greater London	£22,861	
Belfast	£16,609	-28
Birmingham	£19,874	-13
Edinburgh	£20,313	-11
Leeds	£18,150	-20
Manchester	£18,385	-20
Nottingham	£17,712	-23
Southampton	£19,192	-17

Source: The Reward Group

Cathy Turner, Ernst & Young's head of human resources consulting, said: "These findings are even more surprising when it is borne in mind that sending executives abroad can typically cost anything from 3.5 to 7 times the cost of keeping the executive in the home country.

"Relocating a manager and his family to, say, Japan for a three-year stint would cost at least £1.5m and probably more. In what other part of the business would this sort of expenditure not be analysed carefully?"

So should companies be doing more to evaluate expatriate costs and benefits? There seems to be a divergence here between the natural cautiousness of accountants and the instinctive feel of companies such as Shell International, one of the most experienced companies in expatriate employment. It does not plan to introduce such an analysis. Its expatriate assignments are necessary, it says, to transfer skills and technology and to gain international exposure for managers. Given the breadth of experience and development possible in such a posting it is questionable whether any satisfactory measurement of benefit could be applied.

While we are looking at costs, it is time to update the Cost of Living Index in the table (right) that lists a sample of cities drawn from PE-International's Worldwide Living Costs survey which covers about 120 countries. The exchange rate is that on July 31. To update the index, divide the exchange rate by the new rate and multiply the result by the table's index figure.

The index is drawn from six European cost of living indices and is based on the consumption needs of a married couple with two school-children. It excludes house rents and tax levels.

To help make calculations from a UK regional base, the Reward Group has supplied some differentials from its latest UK Regional Cost of Living Report. The figures in sterling (shown in the smaller table) are the required incomes for a family of four living in a three-bedroomed semi-detached house which they own with a mortgage. The third column shows how much less it costs to live in Greater Loodon in perceotage terms.

Such calculatioos are becoming academic in some businesses, at least for European locations, as there are increasing signs of personnel chiefs tiring of making living cost adjustmeots for jobs within the European Union. Some argue that since the foreign assigumeot is often regarded as an important stage of employee development, where there is little obvious hardship it need not be loaded with extra benefits and inducements.

I have some sympathy with these sentiments. The expatriata assignmeot has been something of a gravy train for too long. As the UK survey shows, local living costs within a country can vary widely.

Now that we have Channel tunnel is it really so different living in Brussels as opposed to Edinburgh?

Worldwide Living Costs is published by P-E International, Park House, Wick Road, Egham, Surrey TW20 OHW. Tel 01784 434411.

The UK Regional Cost of Living Survey is £180 from Reward Croup, Reward House, Diamond Way, Stone Business Park, Staffordshire ST15 OSD.

International living costs index: selected cities

Country	City	Living cost index	Exch'ge rate £1 =	Infla-tion %	Country	City	Living cost index	Exch'ge rate £1 =	Infla-tion %	Country	City	Living cost index	Exch'ge rate £1 =	Infla-tion %
Iceland	Reykjavik	163.65	103.764	2.4	Israel	Tel Aviv	100.89	4.956	12.4	US	Chicago	88.06	1.542	2.9
Japan	Tokyo	155.46	168.834	0.3	Chile	Santiago	100.73	632.539	8.8	Thailand	Bangkok	87.72	39.141	6.1
Norway	Oslo	132.17	10.072	0.9	UK	London	100.00	1	2.2	Malaysia	Kuala Lumpur	87.58	3.851	3.6
Switzerland	Geneva	126.62	1.943	0.7	Croatia	Zagreb	98.73	8.465	4.9	Nigeria	Lagos	86.70	130.727	89.6
Germany	Berlin	129.41	2.358	1.7	Spain	Madrid	97.72	198.249	3.9	Canada	Montreal	85.62	2.098	1.5
Hong Kong	Victoria	124.27	11.937	6.4	Ireland	Dublin	97.40	0.973	2	Ukraine	Kiev	85.50	279500	100
Denmark	Copenhagen	123.62	9.065	1.9	Luxembourg	Luxembourg	97.38	48.508	1	Turkey	Ankara	85.06	126161	82.9
Germany	Hamburg	122.98	2.358	1.7	US	New York	96.30	1.542	2.9	Nicaragua	Managua	84.93	12.932	8
Germany	Bonn	120.20	2.358	1.7	Tanzania	Dar es Salaam	96.03	917.785	27.3	Romania	Bucharest	84.27	4795.482	24.1
Syria	Damascus	119.88	64.708	15.3	Netherlands	Amsterdam	95.80	86.418	2	Canada	Toronto	84.04	2.098	1.5
Finland	Helsinki	119.21	7.153	0.6	Peru	Lima	95.70	3.781	10.2	US	Los Angeles	84.01	1.542	2.9
Sweden	Stockholm	118.55	10.198	1.2	Jordan	Amman	95.05	1.095	2.7	India	New Delhi	83.78	53.833	8.8
Brazil	Brasilia	116.41	1.549	17.3	Russia	Moscow	94.81	7880.558	58.4	Pakistan	Karachi	82.31	53.918	12.5
Germany	Frankfurt	116.27	2.358	1.7	Morocco	Casablanca	94.56	13.548	5	Kenya	Nairobi	81.20	88.346	2.8
France	Paris	115.83	7.977	2.4	Bangladesh	Dacca	94.40	63.938	6.9	Egypt	Cairo	81.01	5.271	8.9
Belgium	Brussels	111.66	48.508	1.9	Sri Lanka	Colombo	94.40	86.017	13.8	Panama	Panama City	80.74	1.542	0.8
Korea (Sth)	Seoul	111.20	1247.418	5.1	Ghana	Accra	93.06	2534.321	59.8	Australia	Sydney	80.88	1.95	3.8
Austria	Vienna	110.65	16.595	1.6	Greece	Athens	91.46	373.053	9.1	Swaziland	Mbabane	79.88	6.687	10.8
China	Beijing	110.24	12.834	8.9	Portugal	Lisbon	91.43	242.249	3.5	Ecuador	Quito	79.70	4895.855	22.9
Singapore	Singapore	109.40	2.177	1.2	UAE	Abu Dhabi	90.80	5.665	5.9	Czech Rep	Prague	76.38	42.639	8.7
Argentina	Buenos Aires	107.86	1.54	0.3	Brazil	Rio de Janeiro	89.78	1.549	17.3	Hungary	Budapest	73.92	232.308	23.9
Taiwan	Taipei	106.32	42.634	2.8	Bahrain	Manama	89.50	0.582	2.7	Zimbabwe	Harare	73.25	15.216	21.1
Italy	Milan	105.88	2367.808	4.3	Indonesia	Jakarta	89.41	3590.159	7.5	Mexico	Mexico City	68.82	11.735	33.6
Saudi Arabia	Riyadh	104.85	5.785	4.7	Tunisia	Tunis	88.84	1.513	6.8	South Africa	Johannesburg	67.79	6.687	5.9
New Zealand	Wellington	104.33	2.25	5.9	Philippines	Manila	88.70	40.99	10.4	Bolivia	La Paz	60.75	7.836	10.8
Italy	Rome	103.64	2367.808	4.3	Poland	Warsaw	88.44	4.189	19.8	Venezuela	Caracas	57.77	722.698	99.5
Kuwait	Kuwait	108.54	0.463	4	Cyprus	Nicosia	88.37	0.727	0.8					

Source: PE International

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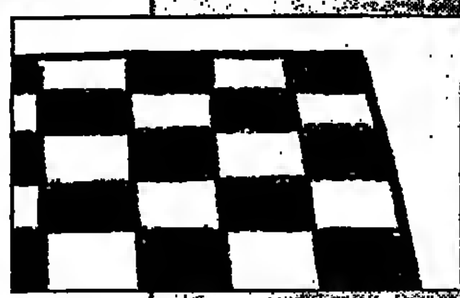

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FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Trading rise aids Deutsche Bank

Deutsche Bank reported a 25.8 per cent increase in operating profits to DM3.49bn ($2.35bn) for the first nine months of the year, lifted by strong rises in earnings from both in-house trading and brokerage.
Page 19; Lex, Page 16

Chip weakness holds back Sharp
Sharp, one of Japan's leading electronics groups, was held to a 3 per cent increase in first-half non-consolidated recurring profits to Y36.1bn ($319.4m) by the drop in semiconductor prices over the past year. Page 22

Virgin Express in Sabena accord
Virgin Express, the cut-price European airline, has reached outline agreement to take over lossmaking flights operated by Sabena, the Belgian airline, between Brussels and London. Page 23

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Degussa	592.5	+	4.5
Falls			
Adidas	128.5	-	3.5
Kali & Salz	149	-	3.5
MAN	384.5	-	16
Veba	582.5	-	8
Volks	901	-	5
NEW YORK ($)			
Rises			
Malco Coca	27	+	2¾
Western Digit	48⅛	+	3
Falls			
AMP Inc	34¼	-	4⅛
Moneleon	21¾	-	2¾
Nova Corp	21⅛	-	3¾
Shaw Group	23	-	3¾
LONDON (Pence)			
Rises			
E Mids Elec	515	+	19
Scottish Hdgs	663½	+	25½
Falls			
Burton Index	365	-	28
BSkyB	595½	-	30½
EMAP	712½	-	32
TORONTO (C$)			
Rises			
CSC Inc	18.9	+	3.55
El Exe Logic	8.1	+	1.1
GEAC Cmptr	19.5	+	2.0
Falls			
ATS Auto Tool	42.0	-	2.5
Loglcvac B	20.75	-	1.25
Mt. Case Pete	4.01	-	0.64
PARIS (FFr)			
Rises			
Strnd Fearn	175	+	7.8
Fonc. Lyon	558	+	28
Worms Cie	280.9	+	8.9
Falls			
Christian Dior	622	-	10
Cred Natl	227.5	-	8.4
Pathe	1354	-	45
TOKYO (Yen)			
Rises			
Misuika	718	+	15
Falls			
Aoyama Trdng	2900	-	120
Inax	968	-	28
Kureha Chem	514	-	17
Taisanko Elec	486	-	14
Toda Corp	921	-	32
HONG KONG (HK$)			
Rises			
Sh Miquel HK	3.37	+	0.17
Silver Grant	3.4	+	0.22
Yizi Trading	9.5	+	0.8
Falls			
Hudson Chips	18.0	-	0.8
Hut Mutual	6.55	-	0.2
Tarntray Ind	20.4	-	0.8
BANGKOK (Baht)			
Rises			
Pranda Jewel	35.0	+	2.0
Thai Airli Ge	35.5	+	2.0
Thai Finance	83.0	+	5.5
Falls			
Ayudhya Ins	66.0	-	8.0
Jutes Dve	38.75	-	4.25
Kiang Huat	82.0	-	9.0

New York and Toronto prices at 12.30pm.

Primark buys UK group for $105m

By John Gapper,
Banking Editor

Primark, the US financial information and technology company yesterday announced a $105m takeover of ICV, the UK company supplying share price data, and a linked joint venture with Dow Jones, the US publisher of financial information.

The joint venture, providing a mixture of historical and real-time information about international equities through the screens on traders' desks, will challenge Reuters' dominance in a market estimated at $200m in annual revenues.

The takeover by Primark, owners of the Datastream financial information database, is a further indication of the growth of financial information services, in which Reuters and Dow Jones face competition from the Bloomberg network.

The joint venture, which involves merging the news arms of ICV and Dow Jones in London to provide increased coverage of equity markets and companies, will supply information both over dedicated terminals, and open data feeds.

ICV is a supplier of real-time equity information from the London Stock Exchange through Topic terminals. But it has not been able to compete effectively with Reuters in combining real-time financial information with news.

The venture, which will be called Primark/Dow Jones Equity Service, will compete with the Reuters News 2000 service. It will be aimed at City of London trading rooms, and at international equities dealers and portfolio managers around the world.

Mr Joseph Kasputys, chairman and chief executive of Primark, said it had been looking for a way to add real-time data to its range of historical financial information businesses, and ICV fitted very well with its strategic aims.

Dow Jones' Telerate financial information product has been providing information to dealers mainly in fixed income and foreign exchange markets. However, Dow Jones will provide real-time data from over 100 equities exchanges.

ICV employs about 20 journalists to provide news on Topic screens relating to the London equity market. These will be combined with about 70 journalists employed by Dow Jones, and further investments are envisaged.

The deal makes Mr Christopher Sharples, ICV's founder, an instant multi-millionaire. It gives cash and securities worth $57m to the family trust of Mr Sharples.

It is structured so that Mr Sharples will swap the 54 per cent stake in ICV held by his family trust into Primark shares. The total payment for ICV is 2.2m Primark shares, valued at $61m yesterday, and $44m in cash and notes.

The deal will give Mr David Taylor, ICV chief executive, a payment of $18m. Both Mr Sharples, a former chairman of the Securities and Futures Authority, the City regulator, and Mr Taylor, are to take management posts in Primark.

Mr Sharples is to be chairman of Datastream International, with Mr Taylor as chief executive. "We are entrepreneurs by nature, and this deal does not change us. I'm not ready to wander off to a Caribbean island," Mr Sharples said.
Background, Page 23

BCH in $200m Colombian expansion

By David White
in Madrid

Banco Central Hispano yesterday announced plans to take a large stake in Banco de Colombia in a deal worth at least $200m. It is the latest in a series of Spanish banking acquisitions in South America.

It said it had agreed in principle to buy 26-36 per cent of the bank, Colombia's second-largest in terms of assets and profits, from the Gilinski group, which has wide-ranging financial and industrial interests in the country.

The purchase could be worth up to $260m, depending on the size of BCH's participation, which still had to be decided, it said.

The move by BCH reinforces the important role Spanish banks are playing in the sector's development in Colombia. It follows the recent acquisition by Banco Bilbao Vizcaya of a 40 per cent stake in Banco Ganadero, the country's largest banking group.

Banco de Colombia, privatised in 1994, had assets of $2.44bn at the end of last year and operates a network of 289 branches, with 5,000 employees. BCH is to take its stake by subscribing to a capital increase next year. It said it would manage the bank jointly with the Gilinksi group, in keeping with its policy of basing its foreign operations on alliances with local partners.

The deal marks a new phase of BCH's expansion in South America, where it has focused on a partnership with the Luksic group of Chile.

Its Chilean joint venture recently merged Banco O'Higgins with Banco de Santiago to form the country's largest banking group. The unit also controls the Banco de Sur group in Peru, Banco Tornquist in Argentina, Banco de Asunción in Paraguay and Central Hispano Banco in Uruguay. BCH said the deal with the Gilinski group would be the first step towards wider collaboration in the financial sector in the northern part of the continent.

Separately, Spain's Banco Santander yesterday concluded a deal to take control of Banco Mexicano, the fifth largest bank in Mexico in terms of assets.

Banco Santander sees the purchase as potentially the biggest of its extensive operations in Latin America. The Spanish group views Banco Mexicano, with a retail banking network close in size to the 240 branches Santander has in Chile, as a platform for expansion in Mexico.
Santander details, Page 20

Mike Blackburn, Halifax chief executive, is leading the building society towards flotation next June Picture: Guzelian

UK society to give up bid cover

By Christopher Brown-Humes
in London

The Halifax, the UK building society, is to give up its right to five years of takeover protection after it floats on the stock market next June.

The decision, made for technical reasons to free up capital, could lead to bid speculation following the flotation. However, the society, which will be one of the top 25 UK companies, believes its size will be a considerable deterrent to predators

The society announced its decision on takeover protection yesterday as it and the Woolwich, another building society, provided further details of their share flotations next year. Halifax said its 9m members would learn in January – when the group publishes its transfer document – how many shares they would get from the conversion and an indicative pricing range.

The Woolwich said it expected to float in July, after publishing its transfer document in January and seeking approval for its plans from its 4m members in February.

The Alliance & Leicester, which plans to float next spring, is expected to publish its document next week. It expects its 3.5m members to vote on its plans in December.

The Halifax flotation will be one of the largest single extensions of UK share ownership. Analysts expect the society to be valued at about £10bn ($15.6bn), against a value of about £3bn for the Woolwich and £2.5bn for the Alliance & Leicester. Qualifying members, including nearly all savers and borrowers, will receive free shares averaging up to £1,000 from each society. The Halifax, led by chief executive Mr Mike Blackburn, will lose its takeover protection because it has decided to change a technical aspect of its conversion.

It is floating by transferring its business to an existing subsidiary rather than setting up a special new company. This means it no longer has to create a "priority liquidation distribution right" – a facility which is relevant only if it goes into liquidation.

But by abandoning PLDR it automatically loses its right to takeover protection.

The PLDR would have tied up several billion pounds of the group's capital at the outset, although it would gradually be run off.

Mr Mike Ellis, Halifax's managing director of treasury and overseas operations, said: "We are going to be one of the top 25 listed companies and we don't believe the takeover restriction is either necessary or appropriate".

The Woolwich and the Alliance & Leicester plan to keep takeover protection for five years and are setting up companies which will include the obligation for PLDR. Mr John Stewart, Woolwich chief executive, said: "Five years protection, whilst not vital, is necessary whilst we become established as a PLC."

The five-year rule has proved controversial because while it protects converting building societies, it does nothing to stop them making hostile bids for other companies.

Mr Rob Thomas, analyst at UBS, said: "The Halifax is going to have a lot more capital than it needs and this could be used for quite a big acquisition." The Halifax insisted it had no specific acquisition target in mind.

The Halifax said that to qualify for shares, members needed to have at least £100 in their accounts on December 31 1996. Exact allocations will depend on the lower of balances held on the November 25 1994 and the date of a special members meeting in late February.

SKF falls 48% as demand slackens

By Hugh Carnegy in
Stockholm

Profits at SKF, the world's biggest supplier of roller bearings, were almost halved in the third quarter as prices fell and demand slackened in high-margin markets.

The Swedish group – a bell-wether of global industrial activity as its products are widely used in manufacturing – said demand was positive in Asia and, to a lesser extent, in the US. It said a decline in western Europe in the first half had flattened out in the third quarter but "no general upturn is noticeable in western Europe". It added the business climate was expected to be "largely unchanged during the next few quarters".

Pre-tax profits at the Gothenburg-based group fell from SKr720m ($110m) in the third quarter last year to SKr374m on sales down from SKr8.7bn to SKr7.8bn.

In the first nine months, pre-tax earnings fell by a smaller margin – from SKr2.6bn to SKr1.8bn. Earnings per share were down from SKr14.70 to SKr10.40.

The result was slightly beneath market expectations and SKF's most traded B-share slipped SKr4.50 to close at SKr154 in Stockholm. The 3 per cent fall was much steeper than an overall 0.18 per cent fall for the bourse's manufacturing index. Group sales for the first nine months were down 10 per cent from SKr28.2bn to SKr25.4bn. Operating profits slid from SKr3.1bn to SKr2.2bn.

A significant factor was the adverse effect of a stronger Swedish krona compared with the same period last year. But SKF was hit by a trend of lower prices – caused by competitive pressures and weaker demand – as well as by lower volumes in Europe, where margins are bigger than in Asia and the US.

SKF said a pick-up in car sales in Europe in the third quarter had lifted sales but sales to truck manufacturers had fallen below 1995 levels. It added that the pattern of activity in Europe varied from market to market. While Germany and other northern European markets were showing an improvement in demand, France and especially Italy remained weak.

Rising new car sales in the US helped keep sales to the carmakers there ahead of 1995 levels, but sales to the truck sector were significantly lower. The lower production rate in the truck sector was set to continue for the rest of the year, SKF said.

It added that demand was still weak for components from the textile industry.

Airlines lift fares after jump in jet fuel prices

By Deborah Hargreaves
in London

Airlines are being forced to raise fares or, for the first time since the Gulf war, add fuel surcharges after a rise in jet fuel prices to a five-year high.

KLM, the Dutch airline said this week it would levy fuel surcharges of between Fl 9 and Fl 23 to all tickets bought in the Netherlands from November 1. The US's Northwest Airlines, which has an alliance with KLM, said it would put the surcharge on transatlantic routes and monitor the situation elsewhere.

Trans World Airlines, the US carrier, which yesterday reported a loss of $14.3m for the third quarter, said its fuel bill had risen by $40.3m over the same period last year.

British Airways last week raised fares 2.5 per cent rise on European routes because of higher fuel prices and said it would consider raising long-haul prices.

KLM said: "We've seen our fuel costs rise by 40 per cent since last September and we haven't had a fuel surcharge since the Gulf war."

Jet fuel prices have surged this year on the back of a stronger oil market and low stocks. Although the market has slipped slightly in recent days, prices of $254 a tonne are still 45 per cent higher than in October last year.

"This is a market that normally trades between $165 to $185 a tonne and reaches its peak in the winter, but the weather isn't even cold yet and prices are $70 a tonne higher than usual," said Mr Lindsay Horn, executive director of energy derivatives at Lehman Bros in London.

Analysts say the sustained rise took most airlines by surprise. The fuel bill usually accounted for 10-11 per cent of a carrier's costs. But many had failed to hedge against a rise.

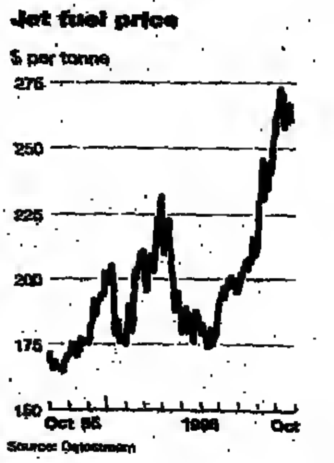
Prices have been pushed up partly by the European Union's move this month to low-sulphur diesel fuel. Oil refineries can blend jet fuel with diesel to lower the sulphur content, which has put pressure on jet fuel supplies.

Strong demand, particularly from Asia, has also pushed up prices. The industry has also held off building up stocks in expectation of lower prices, which failed to materialise.

Some analysts calculate that, for every 10 per cent increase in the fuel price, the industry must push up fares by 1-1.5 per cent, which means airlines could now be looking at charging 3-5 per cent more.

US airlines results, Page 21; Boeing result, Page 20; Commodities, Page 26

Jet fuel price



Source: Datastream

COMPANIES AND FINANCE: EUROPE

Chastened Philips searches for a clearer future

Improvements are promised at Dutch electronics group after collapse in third-quarter results

"'The trouble with our times,' wrote the French poet Paul Valéry, 'is that the future is not what it used to be.' He could have been talking about today. Once we seemed to be evolving gently towards the future. Now as the pace of change accelerates exponentially, the future seems to be racing towards us. Time itself is becoming compressed."

So spoke Philips early this year in "From vision to reality," a brochure extolling the part its products could play in global upliftment. It formed part of the first worldwide promotional drive by the Dutch electronics group, under the slogan "Let's make things better".

Philips was riding high. It had just produced a record set of earnings for 1995, when net profits reached Fl 2.52bn ($1.5bn) on sales of Fl 64.5bn.

Yesterday, however, it was a chastened company. And the booklet's pronouncement could equally have described its own changed corporate reality, as well as the difficulty Philips is having in establishing the strength of vision to see past it.

Price erosion across virtually all its divisions, from semiconductors to television sets; dull consumer markets in the US and western Europe; and a cash consuming expansion into new sectors such as mobile phones – all had contributed to a collapse in third-quarter net earnings to just Fl 123m, half the level that the gloomiest analysts had forecast.

At a press conference at its Eindhoven headquarters Mr Dudley Eustace, finance director, had just finished enumerating the problems when Mr Cor Boonstra, Philips president since the beginning of the month, dropped in unexpectedly to convey his message in person.

He conceded he could not yet offer any grand new strategic direction to the financial markets, which have accorded Philips none of the nearly 50 per cent average gain seen in other leading Dutch stocks this year. "We need the budgetary procedures in place . . . before taking major corporate actions," Mr Boonstra said.

But, he added, "my job is to lead the management in unlocking the value of the company". This could involve the flotation of a profitable business unit. Others which did not perform would be sold or closed.

Mr Boonstra set tough targets to evalnate performance. Overall, tbese amounted to a requirement that the group produce a positive cash flow of Fl 1bn or more a year, sustainable double-digit growth in operating income, and a 24 per cent return on net assets.

"I don't like talking tough but I do like clarity," he said. "What gets measured, gets done."

As far as management was concerned, "our overall goal is to get more done with fewer people. We are talking about overheads. There is enough uncertainty on the shop floor". At the same time, the new chief earmarked the lighting division, a traditional cash generator, as ripe for a restructure. This would have happened last year except that, with strong demand for its products, there was neither the time nor the capacity.

Even there, Philips has since suffered from price cutting by rivals which can operate from a lower cost base. Lighting sales in the first nine months of this year were up 2 per cent at Fl 47.8bn, but divisional operating profits fell 45 per cent to Fl 1.52bn.

The Fl 1bn charge includes a share of a $90m provision which PolyGram, the group's 75 per cent owned music and film subsidiary, this week said it would make to cover reorganisation costs at its record labels.

Also taken into account is a streamlining of Philips' main corporate centre, where more than 600 people work. National head offices outside the Netherlands are also expected to be overhauled.

At the same time, marketing will be strengthened to extend a Philips brand which Mr Boonstra depicted as "clearly under-utilised but having enormous value".

To this end, one new job has been created in Eindhoven this month: that of senior marketing director. It went to Mr Gérard Dufour, the French advertising agency executive who coined "Let's make things better". As tha services of the poet Valéry have not been available for 50 years, he will report directly to the president with the task of marketing muse.

Gordon Cramb

Market divided over 'miracle margarine'

By Hugh Carnegy in Stockholm

Shares in Raisio see-sawed yesterday as investors differed over the Finnish group's plans to exploit its "miracle" margarine Benecol, which cuts cholesterol intake.

Raisio, whose shares have rocketed since it revealed its invention late last year, announced significant progress towards solving a shortage of raw material that has so far held back output of a product that could become a worldwide health fad. It said it would begin exporting Benecol to neighbouring Sweden in the first half of next year.

Benecol bears, who query forecasts of rapid international success for the margarine, were unimpressed. In initial trading, they drove down Raisio shares sharply. At one stage, the shares had dropped FM13.40 to FM289.

But Benecol bulls, who fuelled an explosion in Raisio shares from FM62 at the turn of the year to a high to FM339.90 in September, emerged from simultaneous briefings in Helsinki and London convinced their optimism was justified.

Within hours, the shares were sharply up again to reach FM308. However, a more cautious note set in towards the end of trading and Raisio shares ended the day at a more cautious FM306.50 – up a net FM4.10.

The main factor restraining the development of Benecol is a shortage of the key raw material – plant sterols, which inhibit cholesterol absorption. Raisio has patented a process which converts sterols to tasteless stanol esters. These are soluble in fatty foods.

Although plant sterols are readily produced in mass vegetable processing such as making wood pulp, few manufacturers collect them.

Raisio said yesterday it was negotiating with UPM-Kymmene, Europe's biggest pulp and paper company, to increase supply. It was also gaining access to sterols from vegetable oil processors, and said it would build a second plant to bring total stanol ester capacity up to 2,000 tonnes a year by January 1998.

Mr Kari Jokinen, chief executive of Raisio's margarine division, said that corresponded to anticipated demand for a total market of 60m people.

The first exports of Benecol would be to Sweden, starting next year. In other markets, Raisio intended to sell via co-operation agreements – and was likely to vary which product stanol esters were introduced into in different markets according to local tastes.

Mr Michael Finney, analyst at Kleinwort Benson in London and a leading Benecol bull, said Raisio's plans justified earlier predictions. He has been among those forecasting profits of more than FM1bn by 2000.

But Mr Ben Warn, analyst at Enskilda Securities and a long-time Benecol bear, said Raisio had given little new information. "There is no denying it is a good product, but estimating the value of what they can do in this decade is very blurred."

Stora tumbles 69% at nine months

Stora, the Swedish paper and packaging group, yesterday posted profits after financial items down 69 per cent from SKr6.2bn to SKr1.9bn ($288m) for the first nine months, reports AFX News from Stockholm.

Operating profits fell from SKr6.9bn to SKr2.3bn on sales down from SKr43.2bn to SKr34.2bn. Net profits also fell, from SKr4.1bn to SKr1.25bn, and earnings per share dropped from SKr12.80 to SKr3.95. The results were in line with expectations and the shares closed up SKr0.50 at SKr86.

Stora said nine-month volumes of paper, pulp and board were down 8 per cent from the prior year. The fall in sales was due to a downturn in delivery volumes and lower prices of almost all products, Stora said. The stronger krona affected sales negatively by SKr2.5bn, and the disposal of Stora Building products and Newton Falls had a negative effect of SKr1.8bn.

Stora's operating profit was hit by lower prices and deliveries by SKr3.3bn, while the stronger krona's negative effect was SKr625m, it said. Weak economic development in Europe has had a negative impact on paper and board markets, Stora said. It said customer destocking and cost savings measures during the first half also weakened overall performance.

Demand in the US has been somewhat better due to the stronger economic situation, although deliveries there were also lower than in the same period in 1995.

In the third quarter, the pulp market was calm, Stora said, partly because of seasonal factors and partly as a result of lower shipments to south-east Asia following the high levels recorded during tha early summer. Demand for fine paper remained stable.

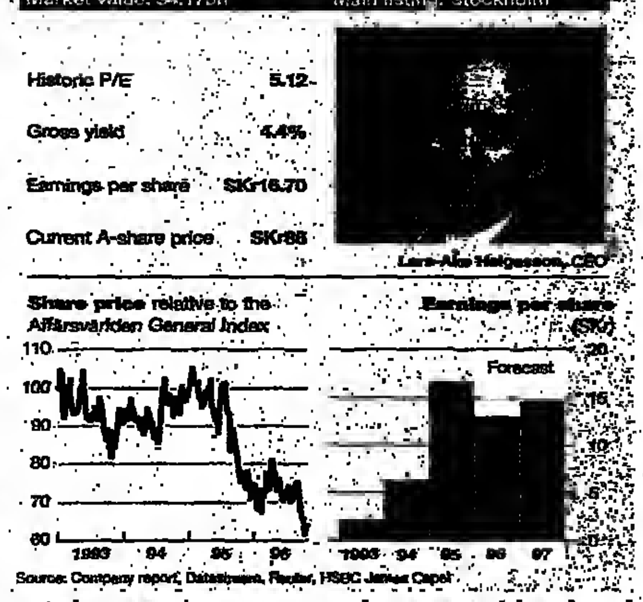
The order situation has improved in the board and packaging area, particularly for liner and fluting. Order bookings for uncoated and coated magazine paper strengthened, it said. Translated into Swedish kronor, average prices for Stora's pulp, paper and board products were 16 per cent lower in the nina months compared to the prior year.

PROFILE

Stora

Main listing: Stockholm

Historic P/E	5.12
Gross yield	4.4%
Earnings per share	SKr16.70
Current A-share price	SKr88



Source: Company report, Datastream, Reuter, HSBC James Capel

Creditanstalt bid conditions revised

By William Hall in Vienna

The Austrian government has dropped its condition that bidders for its controlling stake in Creditanstalt, the country's second biggest bank, must agree to buy all 19.9m shares, currently worth around Sch14bn ($1.3bn).

It has indicated that while it would prefer to sell its entire stake in one operation, it will consider bids for only part.

The government's willingness to adopt a more flexible attitude towards bids for its 70 per cent effective voting stake in Creditanstalt is intended to end more than five years of uncertainty over the ownership of Austria's most famous bank.

This week, it invited interested parties to submit bids for its shares before November 15.

Mr Viktor Klima, finance minister, is committed to solving the problem before the end of the year. He has told the Financial Times he intends to be "more flexible" than previously in interpreting the question of Austria's national interest.

Under the previous sales procedure, he was committed to considering only bids for the government's entire stake.

Mr Klima said it remained his intention to sell its entire stake. However, if that was not possible he would consider other alternatives. He also indicated he would be more flexible in interpreting the condition that 51 per cent had to be kept by Austrian shareholders.

He said he would assess any bids for the government stake against three objectives. He wants to use the sale to add to an improvement in Austria's banking structure, as well as "keeping an eye on the national interest". He also wants to raise as much cash as possible for the budget.

Mr Klima expected to take a decision on the ownership before the end of the year. After that, he would turn his attention to plans to sell the government's remaining 17 per cent in Bank Austria, the country's biggest bank.

Creditanstalt yesterday reported a 10 per cent rise in the group's nine-month operating earnings to Sch4.6bn. It said it expected its full year net profits to rise by about one-fifth and its return on equity to top 10 per cent.

However, analysts believe the improvement in earnings is being driven by the gronp's non-banking businesses, which are cushioning a continuing weak performance by the parent bank.

EUROPEAN NEWS DIGEST

MAN trucks unit warns of decline

MAN Nutzfahrzeuge, the German commercial vehicle maker, lifted net earnings 7 per cent from DM157m to DM168m ($110m) in the year to end-June, but yesterday warned it expected a sharp decline in profits for the current year. The company, a subsidiary of MAN, the German engineering group, said falling demand for trucks in west Europe, high wage increases and the strong mark would take their toll on earnings. "We expect a satisfactory result but it will be considerably lower than last year," said Mr Rudolf Rupprecht, chairman. MAN shares dropped 4 per cent to DM384.40.

"MAN Nutzfahrzeuge is the corner stone of MAN so it is bad news for the group as a whole," said Mr Michael Hagmann, analyst at UBS in London. "I had expected them [MAN Nutzfahrzeuge] to start feeling the impact of the recession in the west European truck market, but I thought they would make a more moderate warning for the current year." MAN Nutzfahrzeuge accounts for about 40 per cent of MAN revenues.

The truck maker, the second largest in Germany after Mercedes-Benz, suffered a decline in profitability in the early 1990s. However, it appeared to be on the road to recovery over the past two years, returning to the black in 1994-95 from a pre-tax loss of DM80m in 1993-94.

Mr Rupprecht said the group had reduced capacity towards the end of the last financial year and was continuing with cost-cutting measures. However, he added that while demand was expected to pick up in Germany in the next few months, orders were declining in the group's other core west European markets.

Last year, group production rose 13.6 per cent to 43,263 units and turnover climbed 10.3 per cent to a record DM7.98bn. However, weak domestic demand for trucks led to a fall in new orders from DM7.73bn to DM7.54bn.

New registrations of trucks above six tonnes, the group's speciality, rose from 30,800 to 33,600 in west Europe. Market share in Germany dropped from 25.8 per cent to 25.2 per cent. *Sarah Althaus, Munich*

Club Med plans re-launch

Club Méditerranée, the French-based leisure group whose shares dropped sharply after a profits warning on Tuesday, said yesterday it planned to launch a new commercial policy designed to win back sales. It promised a "more targeted" strategy with greater variety in pricing structures for different types of clients, and renewed efforts to increase sales through reducing bulk buying of airline seats.

The details came after the group said its second-half operating results for 1995-96 would be at the same levels as the same time last year, or lower than analysts had expected. It stressed that the comments made by Mr Serge Trigano, chairman, several weeks ago were correct, and that it had experienced an increase of 5-6 per cent in the number of holiday packages sold this summer. However, it added that sales were concentrated in its lower-cost packages, which generated lower profits. *Andrew Jack, Paris*

Esselte up despite sales fall

Esselte, the Swedish office equipment, posted nine-month pre-tax profits up 14.6 per cent from SKr376m to SKr431m ($65.52m) on sales down from SKr9.08bn to SKr8.45bn. Net profits were SKr272m against SKr229m, and earnings per share increased from SKr6.70 to SKr7.90. The company confirmed its earlier forecast that its pre-tax profit in 1996 would be higher than last year, although the rate of growth will not be as high as. The shares closed up SKr2 at SKr146.

Esselte said an 8 per cent strengthening in the krona in the first nine months reduced sales by around SKr77m. Calculated in exchange rates prevailing last autumn, Esselte's pre-tax profit would have been SKr35m higher.

Mr Bo Lundquist, chief executive, said positive effects on profits from its recent acquisitions were expected to start materialising in 1997-98. He said sales continued to develop well in North America and southern Europe, as well as in the UK and the Nordic region, excluding Sweden, while the Asia-Pacific division is still building up its operations and had a negative effect on profits. *AFX News, Stockholm*

Statoil slips 13%

Statoil, the Norwegian oil group, posted nine-month net profits down 13 per cent from NKr4.5bn to NKr3.9bn. It expected low oil stocks, good demand and high oil prices in the fourth quarter maintaining operating profit levels for the rest of the year. *AFX News, Oslo*

COMPANIES AND FINANCE: EUROPE

Deutsche Bank ahead on back of strong markets

By Wolfgang Münchau in Frankfurt

Deutsche Bank reported a 25.8 per cent increase in operating profits to DM3.49bn ($2.27bn) for the first nine months of the year, against DM2.78bn in the year-ago period, a result that reflects the buoyancy of the markets this year.

The figures were in line with expectations, and the shares closed down 12 pfennigs at DM71.45.

Germany's largest bank benefitad atrongly from increases in earnings both from in-house trading and brokerage income.

Commission surplus went up 25.9 per cent, or DM1bn, to DM4.92bn, while trading profits increased 46.6 per cent to DM2.05bn.

Mr Hilmar Kopper, chairman, said: "We expect this positive results trend to continue in the last quarter this year".

He also undsrlined the need for continued change at the bank because of intensifying international competition.

Overall costs weot up 9.9 per cent to DM10.9bn, more than analysts had predicted. The unexpectedly strong rise came in part from the weakening of the D-Mark relative to last year.

Stripping out the effect of first-time consolidations and changes in the exchange rate, the rise in costs was 4.7 per ceot, more in line with expectations.

Deutscbe Bank is also likely to have made provisions for some of the £180m ($281m) with which it bailed out several investment funds at Morgan Grenfell Asset Management, its troubled UK fund management arm.

The item "other expenditures" in the nine-months earnings report showed a 37 per cent increase to DM1.07bn.

As a result of higher costs and higher taxes, net profits increased at a slower rate than operating profits. These rose only 9.1 per cent from DM1.4bn to DM1.53bo. Pre-tax profits were up 27.1 per cent at DM3.05bn.

Mr Stephen Lewis, banking aoalyst at UBS, said: "Wa are oot expecting fundamental changes ahead. But after [Deutsche] completes the investment drive at Morgan Grenfell and the coosolidation of the domestic branch network, we may see better cost performance and higher profits. At this point in time, I would give them the benefit of the doubt."

Tbe bank's mainstream credit busioess eoded the period in line with targeta. Interest margios remained oear the low levels of tbe first balf of tbe year.

Interest income before risk provisions rose slightly, but was down by 0.9 per ceot after risk provisions.

The bank's braoch network cootinued to decline in size. At the end of September, the bank operated 60 fewer brancbes than a year earlier. Most of tlie reductions were in Germany.

There was a small reductioo in tbe bank's German-based staff, but this was more than offset by an increase in staff employed abroad.

See Lex

Hilmar Kopper: underlined the need for continued change at the bank to meet competition

Cut in loan provisions buoys Banco Central Hispano

By David White in Madrid

Banco Cantral Hispano, lately the least profitable of Spain's big banks, yesterday reported a 20.1 per cent improvement in attributable group net earnings for the first nine months of the year, to Pta27.31bn ($212.7m). However, the results were boosted by a big reduction in loan provisions. The shares rose Pta35 to close at Pta3,040.

BCH said the result, which compared with a 13.3 per cent rise for the first half, confirmed expectations of a tripling in attributable profit for the wbole year. This follows complstion of a financial restructuring whicb left 1995 consolidated earnings 62 per cent down oo the previous year, at Pta12.47bn.

Mr Emilio Novela, a general manager, said the bank lifted its market share with a 12.8 per cent increase in customer funds compared with the same stage last year, and 18 per cent growth in lending – reflecting, in particular, improved mortgage business. Total assets were up 14.4 per cent at Pta11,472bn.

Before tax and minorities, group earnings for the nine months climbed 43.4 per cent to Pta40.66bn. Exceptional losses of Pta3.26bn, compared with exceptional gains of Pta20.90hn in the same 1995 period, were offset by a 42.4 per cent reduction in net loan provisions, from Pta55.26bn to Pta31.85hn.

Tbe ratio of ooo-performing loans fell about ooe-third to 4.1 per cent, and Mr Novela said tbe figure would be at 4 per cent or below at the end of the year, and between 3.7 and 3.8 per cent for the parent bank.

Fee income, especially from investment fund and pension plan business, rose 17.5 per cent to Pta73.8bn.

An increase of 8.9 per cent in the group's personnel and general costs was attributed wholly to the axpansion of its Latin American operations, compounded by exchange rate fluctuations. At the Spanish bank, costs were reduced by 10 per cent, while personnel expenses held level.

Mr Novela confirmed that BCH's planned to raise its stake in the power sector by buying a further 2.5 per cent in the electrical utility Unión Fenosa, increasing its holding to 10 per cent. The additional shares are part of a 7.5 per cent bolding in Unión Fenosa which the state-controlled Endesa group plans to sell as part of a reorganisation in the industry.

To back up a wide-ranging industrial co-operation agreement, BCH is also building up its stake in Eodesa, from 2.1 per ceot oow to 3 per cent by year-end.

EUROPEAN NEWS DIGEST

Arthuis calls for CIC confidentiality

Mr Jean Arthuis, the French economics and finance minister, said yesterday be had held a meeting with the top executives involved in tbe partial privatisatioo of the CIC banking group to "remind" them of ths need for confidentiality and ethical behaviour during the sell-off process. His comments were addressed to Mr Jean-Jacques Bonnaud, the head of the state-owned GAN insurance group, and the senior executives of CIC, the bank which it cootrols, including Mr Bernard Yoncourt, its chairman, who last week expressed concern about the future survival of the bank under either of its potential new owners.

Mr Yoncourt earned the reproach of Mr Arthuis for expressing coocern about what the plans of the two candidates, Société Géoérale and Banque Nationale de Paris, for CIC. Both bave offered about FFr6bo ($1.16bn) for a two-thirds stake in the bank. Mr Arthuis stressed that the governmeot would demand that any purchaser to respect commitments, including the need to respect the local character and regional identity of the 11 banks in the CIC group.

However, tbere are growing questions about wbether the privatisation will continue, givsn growing political opposition, the small number of candidates who have bid and the size of their offers, whicb would force GAN to record a substantial capital loss in its books.

Andrew Jack, Paris

Endesa advances 11%

Endesa, the dominant Spanish electricity generator which is slated for further privatisation, reported an 11.8 per cent increase in net profits for the first nine months to Pta120.86bn ($941.5m), although sales stagnated at Pta650.92bn. The shares closed up Pta10 at Pta8,050.

The company, currently two-thirds state owned, said results were helped by the sharply higher availability of cheap hydro-electric power, reduced debt and lower interest rates. Operating costs were 4 per cent lower than in the same period last year. Interest-bearing debt on September 30 was down from Pta626bo to Pta534bo.

Endesa said operating revenues were affected by a 5.6 fall in prices to final customers, resulting from a change in the system of levies for subsidising Spanish coalmines.

The Madrid government receotly authorised the company to increase its holdings in two regional utilities, Sevillana and Fecsa, to 75 per cent in a Pta300bo investment. Endesa is at the same time set to shed its 7.5 per cent in Unión Fenosa, but has baulked at government suggestions it should sell its cootrolling stakes in two oorthern companies, Electra de Viesgo and Saltos del Nansa. Privatisation of Endesa is planned in stages over the next three years.

David White, Madrid

'Excellent' year at Munich Re

Munich Re, the German reinsurance company, yesterday said earnings per share in the year to June totalled DM140, more than double those of a year earlier. In a statement released after a supervisory board meeting, Munich Re said it achieved "excelleot" earnings in the year to June, driven by an improvemeot in its underwriting business. The shares closed up DM30 at DM2,830.

In the year to June 1995, net profit was DM325m ($213.3m), while the underwriting profit was DM18m. It said fluctuating claims reserves stood at DM952m compared with DM788m a year earlier, whila reserves for pending insurance claims totalled DM500m, up from DM250m. The company would allocate DM100m to normal reserves, up from DM60m a year earlier.

Munich Re said it would propose a DM16 dividend for the year to June, up from DM13.50, out of a net distributable profit of DM132.5m, up from DM102.4m a year earlier. It would ask shareholders to approve a 10-for-1 share split for both its bearer and registered shares.

AFX News, Munich

Amper climbs 48%

Amper, the Spanish electronics group, said group net profit climbed 48 per cent from Pta2.03bn to Pta3.04bn ($23.6m) in the nine months to September 30. Group sales rose 11.4 per cent from Pta26.46bo to Pta29.48bn. Amper said its technical services activity continued to expand, with sales climbing 104.3 per ceot to Pta7.97bn. The group's shares closed unchanged at Pta1,940.

Amper said its efforts to internationalise its activities had lifted earnings in the nine months, with exports rising 46 per ceot to Pta9.55bo. It said foreign sales represented 32.4 per ceot of the group's total sales at Sept 30, compared with 24.8 per cent a year earlier. Amper said its cash flow rose 17.8 per cent in the nine months to Pta4.549bn.

AFX News, Madrid

Paris listing for Guyanor

French Guiana, the French department sandwiched between Brazil and Surinam in South America and notorious for its appalling history as a penal colony, oow seems likely to emulate another former penal coloov – Australia – and become a substantial producer of mineral wealth. That is the message being taken to European investors this week by Guyanor Ressources, an exploration company which later this month will become the first Freoch Guianese company to be quoted in Paris when it joins the *nouveau marché*.

Mr David Fennel, president, said yesterday: "We believe that by having Guyanor Ressources seen as a French company trading in France we will attract a healthy premium for our shares." Mr Charles Kernot, analyst at Paribas Capital Markets, agrees. "The French location of its properties should make it doubly attractive to European funds that want to increase their gold exposure," be suggested.

At present Guyanor is valued on the Tcrooto exchange at about C$525m (US$390m). It will issue between 1m and 1.5m new shares in Paris to raise C$14m to C$21m for further exploration. This will reduce the holding of its parent, Golden Star Resources, from 70.7 to 67.9 per ceot.

Guyanor has a diamond and four gold projects in French Guiana and already has some substantial partners that are providing nearly all the cash for development. Asarco and Cambior are involved in the gold projects and Broken Hill Proprietary is financing the diamond exploration.

Kenneth Gooding, Mining Correspondent

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.10.96 Pool purchase price £/MWh	Final Prices for Trading on 27.09.96 Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.66	9.07	9.07
0100	11.62	9.01	9.01
0130	11.62	9.01	9.01
0200	11.62	9.01	9.01
0230	11.62	9.01	9.01
0300	11.62	9.01	9.01
0330	11.62	9.01	9.01
0400	11.62	9.01	9.01
0430	11.62	9.01	9.01
0500	11.62	9.01	9.01
0530	11.62	9.04	9.04
0600	11.62	9.04	9.04
0630	11.63	9.05	9.05
0700	11.66	9.10	9.10
0730	16.50	9.62	9.62
0800	17.82	15.04	17.82
0830	20.31	16.89	19.86
0900	20.38	17.65	20.84
0930	22.84	18.52	21.94
1000	22.84	19.44	23.08
1030	22.81	20.06	23.88
1100	17.93	20.79	24.83
1130	22.91	24.11	28.32
1200	22.82	24.16	28.38
1230	22.74	22.93	26.83
1300	17.60	17.24	20.71
1330	16.74	15.82	18.91
1400	16.39	15.10	18.00
1430	16.37	14.79	17.58
1500	16.37	13.68	16.44
1530	16.36	13.62	16.36
1600	16.35	8.30	9.30
1630	16.39	13.76	16.55
1700	22.31	14.91	17.75
1730	22.42	15.72	18.55
1800	26.03	15.62	18.43
1830	24.23	14.72	17.49
1900	33.58	10.37	10.37
1930	31.86	27.10	30.45
2000	20.79	27.24	30.54
2030	16.93	26.19	29.19
2100	16.36	15.54	18.31
2130	16.35	15.30	17.99
2200	16.35	13.47	16.16
2230	16.35	13.46	16.16
2300	16.35	13.46	16.15
2330	12.43	13.46	16.15
2400	11.68	12.67	15.36

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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COMPANIES AND FINANCE: THE AMERICAS

Regulatory uncertainty threatens Baby Bell rally

By Richard Waters in New York

After the beating they have taken on the stock market since the beginning of this year, the recent bounce in the share prices of the US regional telephone companies will have come as something of a relief.

But the likelihood of prolonged regulatory uncertainty as the US moves to open up its local telephone markets to competition is likely to put a lid on further gains in the short term, US telecoms analysts say.

In the meantime, as recent third-quarter results suggest, the Bells seem set to record continued moderate growth in their core local telephone services ahead of deregulation, with the strongest growth in areas such as the south-east and the west.

This month's rebound in Baby Bell stocks owes much to the decision by a federal appeals court in Kansas to put a temporary stay on the process of deregulation set in train by the Federal Communications Commission in August. The ruling potentially protects the core cash flow of the Baby Bells for longer by slowing the onset of competition in local telephone markets.

By leaving more power with the states to lay down the terms on which competition takes place, rather than Federal regulators, the stay may also tilt the new competitive playing field more in the Bells' favour.

The Kansas ruling, says Ms Stephanie Comfort, telecoms analyst at Morgan Stanley, represents "a small victory" for the Baby Bells – but it does not change the fact that long-distance carriers and cable TV companies will shortly be able to attack their local monopolies. Current stock market valuations "are still based on growth that isn't possible in a competitive environment". Ms Comfort adds.

Uncertainty over two regulatory actions in particular is likely to hang over the Bells, extending the caution Wall Street has felt about their shares since the landmark Telecommunications Act was passed in February.

One concerns the pace and the terms of deregulation. With the FCC's rules on hold, some states – for instance, Texas – have leaned towards rules which tend to play more into the hands of the local telephone companies. Others, though, may have produced regulations which favour long-distance companies even more than the FCC.

Also, some Bells are likely to face competition earlier than others. Ameritech, based in Chicago, finds itself in the middle of the most competitive local market in the US, with a number of carriers having already laid their own networks.

The other main regulatory uncertainty concerns the reform of access charges – the fees that long-distance companies pay to Baby Bells to complete calls in their local areas. These fees, which typically account for 20–25 per cent of a Bell's revenues, will be reduced drastically over time.

The question, though, is how far and how fast they will come down. The FCC is due shortly to lay out its proposals in this area, and to give some indication of the scale of the so-called Universal Access charges which will be levied to subsidise residential service in unprofitable parts of the country.

Meanwhile, the latest quarterly figures reflect mixed success among the Bells in increasing their number of access lines, on which their local service depends. At Ameritech and SBC Communications, for instance, the growth in new access lines slowed during the quarter, prompting some on Wall Street to caution that selling second lines to residential customers – one of the engines of growth until now – is becoming more difficult.

BellSouth, based in Atlanta, remains many analysts' pick as having the best growth prospects. At $39⅝ yesterday morning, its shares are down 13 per cent from their high early in the year – against a 26 per cent fall at Nynex and a 20 per cent drop at Bell Atlantic.

Baby Bells – third quarter

	Revenues $bn	Revenues growth (%)	Line growth (%)	Eps $	Eps growth (%)
BellSouth	4.9	9.9	4.9	0.63	12.5
Ameritech	3.7	10.1	3.7	0.94	2.2
SBC Comms	3.6	9.4	5.2	0.97	n/a
Bell Atlantic	3.3	5.2	3.7	1.10	(20.3)
Nynex	3.4	6.3	3.9	0.90	12.5
US West	2.5	6.3	5.1	0.60	(1.6)
Pacific Telesis	2.4	6.3	4.4	0.67	n/a

* North East only. Source: Companies

High costs push Televisa into red in third quarter

By Daniel Dombey in Mexico City

The Olympic Games helped sustain third-quarter television sales at Grupo Televisa, but high fixed costs pushed the Mexican media group into a net loss of 43.7m pesos ($5.6m), compared with a profit of 831m pesos for the third quarter of 1995.

Total sales for the quarter were 2.7bn pesos, up 10 per cent in real terms from the same period last year.

"Television sales were positive and performed much as expected. But Mexico's continuing sluggish consumption made the other divisions do worse," said Mr Shayna McGuire, an analyst at Deutsche Morgan Grenfell in Mexico City.

Television sales, which represent almost two-thirds of Televisa's total sales, jumped 20 per cent to 1.66bn pesos, helped by export sales, revenues from newly acquired stations on the border with the US, and additional advertising during the Olympic Games.

However, the publishing division suffered a 5 per cent fall in sales to 466m pesos, while its cable service, which is waiting regulatory approval to be sold to Teléfonos de México, saw sales fall by a third to 91m pesos.

Operating profits rose by 131 per cent to 272m pesos. However, the company has large fixed costs – its labour force represents about 50 per cent of total costs – and in the past its operating margin has been closer to 25 per cent than the last quarter's level of 10 per cent.

"Even though these results were positive overall, Televisa has to do much better in future to cover its high fixed cost structure," Mr McGuire said.

Santander buy steps up Latin expansion

By David White in Madrid and Leslie Crawford in Mexico City

When Banco Santander takes a 75 per cent stake in Grupo Financiero Invermexico, Mexico's fourth-largest financial group, it will give foreigners control of more than 15 per cent of Mexico's banking assets, according to analysts. Yet only four years ago, foreigners were barred from taking part in the privatisation of the Mexican banking system.

The $378m deal will see current shareholders inject $47m of fresh capital into Invermexico, which includes Banco Mexicano, a small bank with a large number of poor corporate loans, and a brokerage house.

Yet Santander will inherit a healthy Mexican bank: as the condition of the purchase, it demanded that Banco Mexicano be purged of its portfolio of bad loans.

Mr Eduardo Fernández, Mexico's chief bank supervisor, said the government had agreed to absorb $2.37bn of Mexicano's bad loans, the biggest government bail-out of Mexico's banking crisis to date. The government will also take over about $330m of Banco Mexicano's current capital to provision against the bad loans it is absorbing – effectively wiping out the capital of Banco Mexicano's present shareholders. Santander will inject $166m of fresh capital into Banco Mexicano and issue $212m of convertible debt to build up the capital base of Banco Mexicano from scratch.

Ms Ana Patricia Botín of Santander Investments said the acquisition was part of Santander's expansion strategy in Latin America, where it has invested $1.9bn to date. In terms of initial investment, however, Santander will be putting substantially less into the Mexican group than the $495m it spent earlier this year on gaining control of Chile's Banco Osorno and merging it with its existing activities to form Banco Santander Chile – its biggest initiative in the region to date.

"Our board has authorised Santander to invest up to 20 per cent of Santander's own resources in Latin America," said Ms Botín, adding that Santander had not yet reached that figure and was looking for additional opportunities in the region.

Banco Santander has also bought bank networks in Peru – where it acquired Banco Interandino and Banco Mercantil last year – and Puerto Rico. Excluding the Mexican acquisition, its activities in Latin America and the Caribbean employ more than 12,000 and involve investments with a book value of some $1.56bn.

Ms Botín said Santander would redirect Banco Mexicano's focus to retail banking and the financing of small and medium-sized businesses – a much neglected group in Mexico.

Banco Santander is the third Spanish bank to establish a foothold in Mexico. Banco Bilbao Vizcaya, after building up a minority holding in the troubled Mexican Probursa group, reached agreement last year on a plan to take majority control through a $350m investment. Banco Central Hispano and its Portuguesa associate Banco Comercial Português share a 20 per cent stake in Grupo Bital, which controls the 700-branch Banco Internacional.

AMERICAS NEWS DIGEST

Boeing ahead 13% in third quarter

Strong demand for new aircraft from a healthy airline industry propelled after-tax earnings at Boeing, the US aircraft maker, ahead by 13 per cent to $254m during the third quarter of the year. Sales rose 28 per cent to $5.6bn.

The Seattle-based company attributed the lower profit margin during the quarter to a higher tax rate and higher research and development spending. For the first nine months of the year as a whole, the effective income-tax rate rose to 18 per cent, from 8.4 per cent a year before, it said.

During the first nine months, Boeing reported its operating profit margin had slipped from 11.7 per cent to 10.6 per cent, as sales of commercial aircraft increased by 11 per cent to $12bn. The decline was due to a growth in sales of the new 777, and reflects the normal lower profit margins seen on new models, the company said.

Mr Philip Condit, *chief executive*, called the pace of orders for new aircraft "encouraging", thanks to the growth in traffic and profitability in the airline industry. Boeing's earnings per share during the third quarter rose to 74 cents, from 66 cents a year before, in line with market expectations. *Richard Waters, New York*

Arco and Itochu in coal deal

Atlantic Richfield of the US and Itochu of Japan signed a purchase and sale agreement to acquire Coastal Corp's western US coal operations, which are held by Coastal States Energy Co, for $615m. The operations, composed primarily of three underground coal mines in central Utah, will be held in a limited liability company owned by subsidiaries of Arco, holding a 65 per cent interest, and Itochu, holding 35 per cent. *AFX News, Denver*

Quaker Oats balked by Snapple

Despite an expensive marketing campaign, declining sales of its Snapple drink continued to drag down Quaker Oats' performance in the third quarter. Excluding the gain on the sale of its frozen foods businesses and a restructuring charge, earnings per share rose to 53 cents, up from 45 cents for the comparable period last year, helped by lower interest charges and foreign tax benefits.

But third quarter sales of $1.44bn were 8 per cent below last year's $1.55bn, which included $72m in sales from divested businesses. The shares slid 4 per cent, even though earnings exceeded analysts' estimates.

Strong operating income in US and Canadian foods was offset by higher spending on a sampling drive, as the company struggled to reverse the decline of Snapple, which it bought for $1.7bn in 1994. Despite this, the operating loss on Snapple widened, as sales fell 9 per cent to $513m.

US and Canadian food sales were up 2 per cent on last year despite a 15 per cent decline in ready-to-eat cereal prices, but overall, foods operating income of $89m was slightly down on last year. *Tracy Corrigan, New York*

Falling prices hit Dow Chemical

Falling chemical prices pulled Dow Chemical's third quarter earnings per share down 11 per cent on the previous year, despite higher sales volume. Sales of $5bn were up 2 per cent, reflecting a 9 per cent decline in prices and an 11 per cent increase in volume, compared with the third quarter of 1995. Earnings per share of $1.92 were slightly higher than analysts estimates, which averaged $1.89. Dow's shares rose $¾ to $78⅝.

Despite a $433m erosion in prices and a $400m increase in energy and feedstock costs, operating income fell only $200m, the company noted. Operating income in chemicals and metals fell from $324m to $208m, which the company blamed on higher energy costs and lower prices for caustic soda and vinyl chloride monomer. Speciality chemicals posted another good quarter, the company said. *Tracy Corrigan*

CORRECTION

AirTouch Communications

AirTouch Communications' third-quarter net profits were mis-stated in a headline in yesterday's edition. They were $59m.

US airlines fall short of expectations

By Richard Tomkins in New York

Strong growth in passenger numbers and rapidly rising fares should have given US airlines another record quarter in the period to September: but as the last of the big carrier's results came in yesterday, the message was disappointingly mixed.

While many of the carriers managed to increase profits, the growth was not as big as had once been expected: and Continental Airlines, Trans World Airlines and Southwest Airlines saw their profits tumble.

The positive factors in the third quarter were similar to those in other recent quarters. US economic growth has prodoced rising demand for transport, enabling airlines to fill more seats and charge higher fares.

In addition, a 10 per cent federal excise tax on airline tickets expired on January 1 after the White House and Congress failed to agree a budget, enabling airlines to maintain the same fares and enjoy a windfall by pocketing the tax.

However, a series of negative factors has recently set in. In the middle of the third quarter, the ticket tax was reinstated, so airlines had less of a bonanza than had once seemed possible. And six of the biggest airlines agreed to pay a total of $87m to US travel agents to settle an antitrust suit brought over the airlines' imposition of caps on commissions earlier this year.

Meanwhila, the biggest negative of all came from soaring fuel prices. UAL, the parent company of United Airlines, said the average price of a gallon of fuel was 24 per cent higher in the latest quarter than a year earlier, driving its fuel bill up by $103m to $538m; and other airlines saw increases of a similar order.

In spite of these extra costs, UAL managed to register a big increase in profits. Nat income surged 40 per cent to a record $340m on the back of higher ticket prices and strong traffic, and the company announced a plan to spend $386m on refurbishing the interiors of its aircraft in the hope of attracting more customers.

UAL also raised eyebrows by announcing that it was going to tie its executives' compensation to on-time performance instead of its share price.

The company said the move was intended to improve customer service, but cynics said managers could make money simply by padding extra time into the flight schedules.

AMR, parent of American Airlines, warned last month it was faciog higher costs because of fuel price increases and protracted pay negotiations with its pilots' union.

However, its figures did not disappoint: higher ticket prices helped it to increase net profits by 23 per cent to $282m.

Another winner was Delta Air Lines, the third-biggest US carrier, which benefited from traffic generated by the summer Olympics in its home town of Atlanta and the temporary grounding of ValuJet Airlines, a low-cost carrier that made big inroads into Delta's territory. Net profits rose 32 per cent to $236m.

Among the losers, Trans World Airlines suffered a fall in operating profits from $46m to $26m and net losses of $14m, partly because of a fall-off in bookings after the still-unexplained crash of Flight 800 off Long Island oo July 17. But a bigger factor was probably an over-ambitious expansion plan that backfired when the company found itself with insufficient aircraft to fulfil the published schedule.

Southwest Airlines, arguably the most successful airline in the US, disappointed investors by reporting a 10 per ceot fall in net profits to $61m. Part of the reason was a $25-a-ticket fare sale in July that jammed the company's switchboards and prevented higher-paying customers from getting through.

The effects of that fare sale spread beyond Southwest itself: they reached Continental Airlines, which saw net profits tumble from $111m to $18m after a $77m after-tax charge for new aircraft.

But USAir, Continental's biggest rival oo the east coast, increased net profits by 110 per cent to $45m even after a $41.1m pre-tax charge for a profit-sharing plan. Strong traffic, particularly on international routes, helped.

Jet fuel soars to highest in five years, Page 31

US airlines: third-quarter results

Airline	Revenue $bn 1996	% change on 1995	Net profit $m 1996	% change on 1995
UAL	4.5	+9	340	+40
AMR	4.2	+2	282	+23
Delta	3.4	+6	236	+32
Northwest Air	2.4	+8	248	+15
USAir	2.1	+12	45	+110
Continental	1.7	+10	18	-84
TWA	1.0	+5	(14)	n/a
Southwest Air	0.9	+17	61	-10

Note: Profits are net of preferred stock dividends. Source: company reports

Shares in P&G slide 4% as sales slip

By Richard Tomkins

Shares in Procter & Gamble, the US consumer products group, tumbled $3⅝, or 4 per cent, in early trading yesterday after the company reported that world-wide sales growth had gone into reverse in the fiscal first quarter to September.

The company had warned that the quarter would be a weak one, bnt investors were apparently unprepared for the 1 per cent fall in sales from $9.03bn to $8.9bn, caused partly by sbifts in exchange rates.

Net profits rose 9 per cent to $979m, as did earnings per share, which climbed to $1.39, sligbtly above analysts's forecasts. On a fully-dilnted basis, earnings per shara were 10 per cent ahead at $1.30.

Procter & Gamble said world-wide volumes were np 1 per cent, and sales would bave risen at abont the same pace were it not for tbe weakness of other currencies against the dollar – particularly the German mark and the Japanese yen.

"Although this progress is below recent levels, the company looks to achieve an improved rate of volume and sales growtb over tbe balance of the fiscal year," Procter & Gamble said.

Tbe company suffered tough competition in Japan and difficult economic conditions in Latin America, while in Europe and Asia, it felt the effects of its decision to cnt promotional spending in favour of everyday low pricing.

Mr Gordon Pepper, chairman and chief executive, said the expansion of the company's efficient consumer response programma and its key element, value pricing, had created "some sbort-term bustness impacts."

Volumes rose 3 per cent in North America and 5 per cent in Europe, Middle East and Africa, but fell 9 per cent in Asia and 6 per cent in Latin America.

AMERICAS NEWS DIGEST

Tandem ahead of forecasts in term

Tandem Computers, the US manufacturer of fault-tolerant computers, announced higher than expected fourth-quarter earnings, with income from continuing operations at $40m, or 34 cents a share, compared with $23m, or 20 cents, in the sama period last year. Revenues from continuing operations were $543m, compared with $547m.

Excluded were results for UB Networks, a Tandem subsidiary, which the company previously announced it planned to divest. Over the past year the company has restructured its operations into business units and set a new product strategy that involves moving its proprietary software to the Microsoft Windows NT operating system.

Annual revenues from continuing operations were $1.90bn for fiscal 1996, against $1.92bn in 1995. The company reported a loss for the year on continuing operations of $5m, or 4 cents a share, including a second quarter pre-tax restructuring charge of $52m. This compares with fiscal 1995 income of $96m, or 82 cents a share.

Fourth-quarter sales were strong, particularly in Europe. This is in contrast with the results of many US computer companies that have reported weaker sales in Europe over the same period. *Louise Kehoe, San Francisco*

Goldman Sachs in $60m buy

Goldman Sachs is paying about $60m to acquire Liberty Investment Management, a Florida-based company with $5.4bn in assets under management. The US investment bank's latest move to expand its fund management business follows the purchase of CIN Management in the UK in August.

After the Liberty transaction is completed, Goldman Sachs Asset Management will manage funds totalling about $92bn globally. Liberty will initially keep its name, but its products will eventually be sold under the Goldman Sachs name, according to sources close to the transaction. *Tracy Corrigon, New York*

Imasco turns in 8% rise

Imasco, the financial services, tobacco and retailing group 42 per cent beld by BAT Industries, of tha UK, posted an 8 per cent gain in third-quarter profit to C$166m (US$124m), or 71 cents a share, from C$154m, or 65 cents, a year earlier, on revenues of C$2.4bn, against C$2.2bn. Financial services gained 34 per cent at the operating level, retailing 31 per cent, and tobacco 8 per cent, while the US fast food unit broke even. Nine months overall earnings were up 10 per cent to C$437m on revenues of C$6.9bn, up 6 per cent. *Robert Gibbens, Montreal*

Falling copper price hits Asarco

Asarco, the US mining group, saw third-quarter earnings drop to $6m, from $58.3m a year earlier. It said the decline in the copper price over the past year is estimated to bave reduced the company's net earnings by about $67m in the quarter. Improvements in operations and price increases of other metals Asarco produces offset a portion of this decline.

However, Mr Richard de J. Osborne, chairman, said: "The fundamentals of the copper market are good and getting better. Production from new mines is being absorbed by rising consumption and inventories in commodity exchange warehouses are declining rapidly." *Reuter, New York*

Placer Dome shows 33% decline in third quarter

By Bernard Simon in Toronto

Placer Dome, the Vancouver-based mining group, posted a 33 per cent drop in third-quarter earnings, although the latest period marked a significant improvement from earlier this year.

"We had a terrible first half, but we've turned the corner," the company said yesterday.

Net earnings fell to US$16m, or 7 cents a share, in the three months to Sept 30, from $24m, or 10 cents, a year earlier. Sales rose from $264m to $283m.

Placer shares slipped 15 cents to C$33.15 in Toronto in early trading yesterday.

The earnings decline was partly due to lower molybdenum prices. Investment income halved to $10m.

Earnings from gold operations dipped slightly from $77m to $74m. But they were a marked improvement on the $41m and $47m in the first and second quarters, respectively.

Placer's share of gold output from mines in North and South America, Australia and Papua New Guinea fell from 535,000 ounces to 503,000 ounces.

Cash production costs averaged $210 an ounce, up from $201 a year earlier but below the $246 in the first half of 1996.

Placer estimates gold output for 1996 at 1.95m ounces, with average prodnction costs of $235, or about a quarter higher than 1995.

The disappointing cost performance is centred on Placer's Australian and Papua New Guinea operations, reflecting stronger local currencies against the US dollar, higher spending on repairs and maintenance, and consumable inventory costs.

Costs at the Granny Smith mine in Australia will be hit by mining a higher-cost orebody.

The new 50 per cent-owned Zaldivar copper mine in Chile is due to reach full production of 125,000 tonnes in 1997. Placer's share of output in the first nine months of this year was 27,500 tonnes, or about 14 per cent below budget, because of various production problems.

Placer said it expected to complete feasibility studies at the Mulatos property in Mexico and the 53 per cent-owned Mt Rawdon deposit in Australia by the end of the year.

Hollinger plans to lift Southam stake

By Bernard Simon

Hollinger International, the publishing group controlled by Mr Conrad Black, plans to gain outright control of Southam, Canada's biggest newspaper chain, by raising its stake from 41 per cent to at least 50.1 per cent.

Hollinger yesterday outlined an offer to buy 7m Southam shares at C$18.75 each. It will reserve the right to take up more shares if they are tendered. The offer is expected to be mailed on October 4.

The offer price is the same, adjusted for financing costs, as Hollinger paid earlier this year for the 21 per cent stake in Southam held by Power Corporation. Hollinger previously owned about 20 per cent of Southam. Southam shares were trading at C$18.50 in Toronto prior to yesterday's announcement.

Southam publishes 20 dailies, including the flagship papers in Calgary, Vancouver, Ottawa and the Montreal Gazette, Montreal's only English-language daily.

Mr Black's steadily rising stake has generated considerable controversy in some quarters, as it has coincided with Hollinger's acquisition of several dozen papers from other proprietors.

Hollinger International, based in Chicago, is 57.5 per cent owned by Hollinger Inc, Mr Black's main holding company. Hollinger also owns the UK Telegraph group, which has a 24 per cent stake in Australia's John Fairfax, and several hundred US papers, including the Chicago Sun-Times.

How to play Russian roulette

Robert Corzine and **Jane Martinson** on oil and gas investment

Elephants and minnows seem to be the choice for investors who want to take part in any revival of Russia's energy sector.

At the top end of the size spectrum is Gazprom, Russia's largest company and the world's biggest natural gas producer; at the other end there is no shortage of smaller western oil companies which concentrate on the Russian energy sector.

While their size varies widely, recent political events have underlined the attendant risks to all such investments.

So, bow do investors interested in the sector decide on the relative merits of tha companies involved?

Analysts point to several advantages in investing directly in the international offerings of Russian oil and gas companies. Gazprom'a share offer of about 1 per cent to foreign investors was oversubscribed and valued the group at abont $37bn

Thay predict that Gazprom's international offering should trade easily over the countar and point to the rigid registration procedures to stop lower-priced domestic shares seeping into the higher-priced international offering.

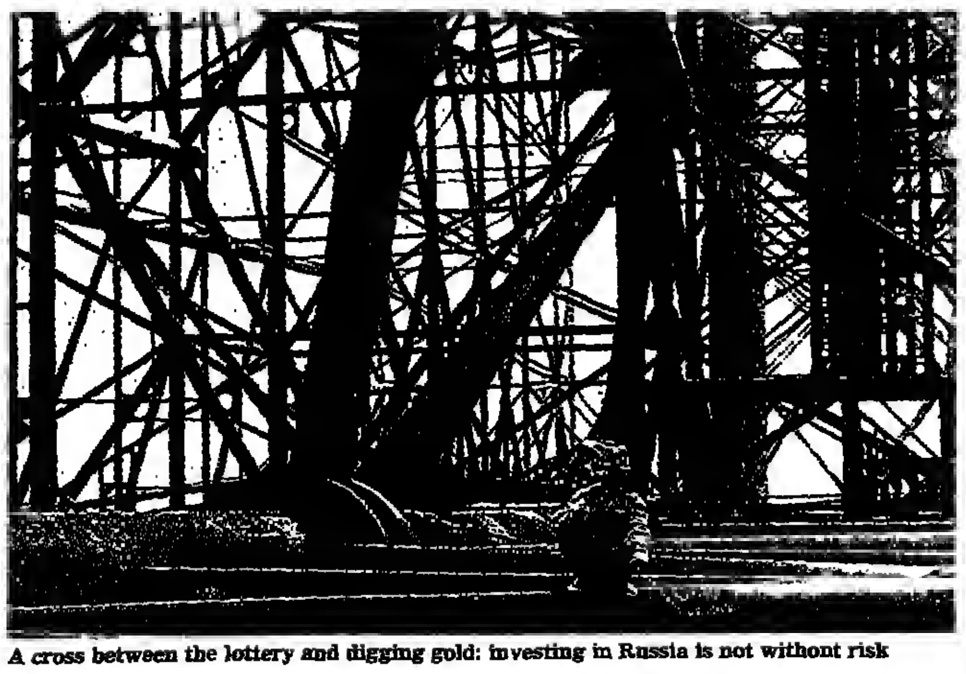
However, political volatility is not tha only potential drawback to direct investments. Foreign investors, unable to build large stakes, will hava littla influence on Russian management.

And, althongb financial information standards in the top tier of Russian energy companies have improved markedly, analysts say there are still "huge information holes" that are unlikely to be filled for years.

This information gap provides western-based and listed companies with one of their main selling points.

Mr Tom Cross, chief executive of Dana Petroleum, the London-listed independant which has co-operative deals with Lukoil and with Yukos, another large Russian oil company, said: "You get the same exposure to the npside and you know what is going on."

Even so, investing in small western oil companies involved in Russia has been described as a cross between the lottery and gold digging.



A cross between the lottery and digging gold: investing in Russia is not withont risk

One analyst confessed to having used his own money to invest in JKX, the independent with operations in Ukraine, because ba "liked the story".

Sucb investments were "essentially a bit of a punt based on get-rich-quick ideas," he said.

"Yon bave a one-in-five chance of making a lot of money and a four-in-five chance of making nothing at all. It's no more acientific than that.

"At the end of the day institutions, a collection of individuals, like to dabbla a little bit."

Tbe nncertainty is increased by the difficulty of using normal valuation measures.

Most analysts use deeply discounted cash flow models to arrive at an approximate value. These take the value of potential oil revenues at soma future data as a starting point.

But tben they employ widely varying discount factors to account for tha commercial, legal and political risks to arrive at a "true" present value.

Mr Stephen O'Sullivan, an associate director at MC Securities, the investment banking boutique, says these "incredibly higb-risk rates" can make the companies look cheap per barrel of oil.

It can also be frustrating for the western companies. Dana, for example, says it makes $3 a barrel on its Russian production after operating costs. But its share price reflects a profit of only $1 a barrel.

Most analysts and investors stress the importance of management when it comes to choosing an investment.

Ms Caroline Watson, fund manager at Thornton Investment Management, whicb has a 4 per cent stake in Dana, says faith is essential in a sector whicb is "difficult to value".

Mr O'Sullivan says: "There are two ways to do it. There are the intangible factors that you have to feel comfortable with at the same time as looking at barrels of oil in the ground and cash flows."

As well as management faith, these intangibles include oil reserve estimates and tha integrity of the Russian partner.

Estimates are fundamental to confidence. Investors feel uneasy when a management is felt to be "over-egging what they have", according to Mr O'Sullivan.

The quality of the local partner in Russia is also important. It can determine tbe strength of a western company's position as well as its access to infrastructure and potential markets.

Stories abound of the vast personal wealth accumulated by top managers of Russian oil giants. But western executives who deal with Russian companies contend that most personal enricbment took place wban the Russian companies were established.

Many Russian executives are now more concerned witb building international businesses on the western model, they say.

Dublin-based Bula Resources found itself in litigation this year with its former Russian partner. The dispute concerned the right of the Russian Transcontinental Financial-Industrial Corporation, the partner, to a 51 per cent staka in Aki-Otyr, a joint stock company with a licence to produce oil in Siberia.

In June, Bula agreed to pay the Russian Corporation $2.1m for its disputed share of Aki-Otyr. in return, the Russian Corporation agreed to sell its Bula shareholding, the proceeds of which will go to the company.

With the inherent riskiness of such oil investments, recent political traumas simply form part of the equation.

Mr Douglas Helser, analyst at Foreign and Colonial, says: "Everyone accepts Russia is a very risky market. If they are in it, it's because they tbink tbe potential returns justify the risks."

Sharp held back by semiconductor weakness

By Michiyo Nakamoto in Tokyo

Sharp, one of Japan's leading electronics makers, reported a modest increase in profits in the first half amid a mixed trading environment for its main products.

The company's results were hit by the marked drop in semiconductor prices over the past year or so.

On the other hand, Sharp enjoyed buoyant demand for new electronic products, such as digital video cameras and personal handyphones, in its home market.

Non-consolidated recurring profits rose 3 per cent to Y36.1bn ($319.4m), in line with expectations, on sales 5 per cent up at Y667.5bn. Net profits increased 6 per ceot to Y20.9bn.

The biggest setback in Sharp's first-half performance was the plunge in semiconductor prices, which has forced the company to revise its profits forecast for the full year. Sharp said semiconductor sales in the full year would be Y260bn rather than the initially forecast Y283bn.

The company expects semiconductor prices to fall a further 10 per cent in the second half. As a result, it expects overall recurring profits in the year to March of Y74bn rather than Y77bn as previously forecast. Net profits will be Y41bn rather than Y42.5bn. The forecast for sales in the full year is unchanged at Y1,360bn.

Liquid crystal display panels, for which Sharp has been an industry leader, also suffered from a decline in prices.

Sharp reported firm demand for new products, such as its personal handyphones – a lighter, cheaper and lower-capacity mobile phone – MiniDiscs and digital video cameras.

While personal handyphones had been extremely popular, particularly among young Japanese women, MiniDiscs had started to find wider appeal among a young audience on the strength of lower prices and a greater availability ve of MD software, Sharp said.

Meanwhile, sales of digital ViewCam video cameras have expanded to make up 80 per cent of the company's ViewCam sales, eclipsing sales of analog versions. Firm demand for these products lifted sales in the audio and communications equipment division by 20 per cent.

Elsewhere, the popularity of Sharp's notebook personal computers, launched just under a year ago, and its new personal digital assistant, the Zaurus, supported an 18 per cent increase in sales in its information equipment division.

Gold hedge gain lifts Newcrest to A$154m

By Nikki Tait in Sydney

A A$225.6m (US$179.3m) abnormal gain on the liquidation of gold-hedging positions helped Newcrest Mining, the Australian gold mining group, to a first-quarter profit of A$154m, against A$6.1m last year.

Profits before tax and abnormals rose from A$11.1m to A$13.3m. Revenues were A$89.8m, against A$89.1m, with equity gold production standing at 134,238 ounces, slightly down on last time's 151,094 oz.

The abnormal item included a A$270m profit on closing most of its gold-hedging positions. Newcrest announced the liquidation of contracts covering about 2m oz of gold in August. This profit was then offset, by A$47.6m, with "balance sheet adjustments", and augmented by a A$3.2m profit on the sale of a mine.

The gold-hedging liquidation was seen largely as a response to Newcrest's ill-fated foray into the merger plans of Normandy Mining, the Australian gold mining group. Newcrest bought stakes in Normandy and one of the related merger companies for A$450m. However, its efforts to join the merger were rebuffed, and its Normandy shares were left showing a large loss.

Petronas takes in global panorama

Malaysian oil group is pushing further afield

When the senior executives of Petronas move into the top storeys of the world's tallest office blocks some time next year, they will inhabit a symbol of the company's ambition. The 88-storey Petronas twin towers, due for completion in a few months, will be a fitting home for a company with expanding horizons.

Petronas is Malaysia's corporate flagship, the country's biggest taxpayer, and one of its most profitable companies. It is also quickly lifting its profile overseas; the Petronas name is now emblazoned on the cars of a Formula One racing team after a deal earlier this year. This mooth the company successfully launched a US$1.9bn bond issue in Europe – the second-largest corporate issue of its type.

Such moves are related to the company's overriding concern: expansion into global markets. Mr Hassan Marican, Petronas president and chief executive officer, has said the company aims to derive about 30 per cent of its income from overseas operations by 2005. Analysts suggest less than 5 per cent of group revenues of M$22.25bn (US$8.9bn) in the year to March 31 came from foreign operations.

The reason for its concerted push abroad is simple: Malaysia's recoverable reserves of crude oil will last only 18 years at the current production level of 630,000 barrels a day, according to Mr Hassan.

The company has tended to target regions where the government has good – or at least neutral – relations with Malaysia and where competition from the big groups is not too fierce.

The clearest example of this strategy is in Indochina, focus of the company's most comprehensive overseas investment. When Vietnam opened its economy to foreign investment, Malaysia quickly reinforced political and commercial ties. It became involved in the co-ordination of master plans for the country's petrochemical and gas industries.

The company owns and operates two offshore exploration blocks near Vung Tau, southern Vietnam, and has recently made considerable commercial discoveries in them. It began oil production from another field, Dai Hung, in which it has a 20 per cent stake, in October 1994. In March this year, it signed to take a 30 per cent stake in an oil refinery in Dung Quat, central Vietnam, which is expected to have a capacity of 130,000 barrels a day. It also has a 49 per cent stake in a liquefied petroleum gas terminal and bottling plant with capacity of 20,000 tonnes a year.

Industry sources say that on September 17, Petronas signed a letter of intent to take a 40 per cent stake in a polyvinyl chloride venture in Vung Tau. The stake, expected to be finalised soon, will add a key downstream link in the company's Vietnam operations.

Petronas is pursuing opportunities in other parts of Indochina, where the trade and investment climate should become easier once Cambodia and Laos join the Association of South East Asian Nations (Asean) next year, and Burma joins some time before 2000. For the moment, though, it is confined to building on a small chain of petrol stations in Cambodia.

In South Africa, as in Vietnam, the company's investments were fostered by warm political ties. Earlier this year it acquired a 30 per cent interest in Engen, South Africa's biggest oil retailer, for about US$436m.

Other international operations do not so far adhere to the pattern of "specific geographies". The exploration subsidiary, Petronas Carigali, signed the first production-sharing contract between Turkmenistan and a foreign oil company in July this year. The deal is expected to yield its first output in about two years.

Another controversial project is Petronas' 30 per cent stake in two oilfields in Iran, taken in spite of the threat of US sanctions. Its involvement in Iran makes commercial sense on at least one level: its new refining facilities in South Africa are suitable for Iranian but not Malaysian crude, analysts say.

James Kynge

Reuters

View of the world: the Petronas towers in Kuala Lumpur

ASIA-PACIFIC NEWS DIGEST

Solid profits rise at Hitachi Maxell

Hitachi Maxell, the world's leading producer of audio tapes, yesterday reported a sharp increase in interim profits and unveiled plans to triple battery production for export.

Unconsolidated recurring profit – before tax and recurring items – rose 59.6 per cent to Y3.3bn ($29.2m), on sales up 14.4 per cent to Y57.4bn. Sales of floppy disks rose 23 per cent, in line with world growth in sales of personal computers. Sales of audio equipment and video tapes rose 9 per cent while net profits climbed 23.7 per cent to Y2.4bn.

The group defied the recent trend among Japanese manufacturers towards increasing overseas production, by announcing that it would invest Y1.5bn by next March in a new plant in Ibaragi, central Japan, to increase production of rechargeable batteries from 1.5m to 4.5m units a month. Most of that production will go to Europe and south-east Asia, where demand for cheap batteries is increasing, said Maxell. Its decision illustrates how the decline in the yen's value over the past 15 months has restored many exporters' profitability.

William Dawkins, Tokyo

Retirement costs hit Pioneer

Pioneer Electronic yesterday announced an estimated extraordinary first-half loss of Y10bn ($88.5m), on larger-than-expected payouts under a new early retirement scheme. It said the loss would have only a limited impact on its after-tax balance estimate.

In May, Pioneer forecast a six-month recurring loss of Y11.7bn, up from Y7.3bn a year earlier. It now expects to show a recurring loss of Y1bn–Y2bn more than originally forecast.

The loss is because of the unexpected number of employees who applied for early retirement under an incentive-based scheme, implemented as part of the company's restructuring. The company targeted 650 employees for early retirement but about 1,000 applied.

Gwen Robinson, Tokyo

Bank Negara shares priced

Shares in Bank Negara Indonesia, the Indonesian state-owned bank due to be listed on the stock market on November 29, have been priced at Rp850 each, putting the bank on a price/earnings ratio of about 8.7 for this year.

The share price values BNI at Rp3,689bn ($1.6bn). The foreign tranche of the shares was reported to be 10 times oversubscribed. BNI plans to float 25 per cent of its enlarged share capital, or 1.085bn shares.

Manuela Saragosa, Jakarta

Tyndall Australia expands

Tyndall Australia, the financial services business controlled by Sir Ron Brierley's Guinness Peat group, yesterday announced it was buying Oceanic Capital, another Australasian life insurance and fund management group, for A$40m (US$31.8m). Consideration will be a mixture of cash and medium-term convertible securities.

Earlier this year, the listed Australian group indicated it would look at further acquisitions after completing a rights issue. Tyndall said that Oceanic operated in similar market sectors to itself – notably risk insurance – and that the deal would lift funds under management to around A$8.3bn.

Nikki Tait, Sydney

هكذا من الأصل

Virgin Express in accord for Sabena flights

By Ross Tieman in London and David Owen in Paris

Virgin Express, Mr Richard Branson's cut-price European airline, has reached an outline agreement to take over lossmaking flights operated by Sabena, the Belgian airline, between Brussels and London.

Under the accord, Virgin is expected to reserve some seats for Sabena passengers and sell the rest through a telephone booking system for as little as £50 ($76) return.

The deal will give Virgin Express access to scarce take-off and landing slots at Heathrow Airport, the busiest in Europe. It will also enable it to offer connections via Brussels between London and seven continental European cities – Copenhagen, Vienna, Rome, Milan, Nice, Barcelona and Madrid – served by Virgin Express.

The accord is understood to pose no threat to the arrangement whereby Virgin Atlantic, the inter-continental airline, uses British Midland for feeder services to its long-haul flights. But it will help Sabena make cost savings demanded by Swissair, which has a 49 per cent stake.

Virgin Express is expected to begin nine daily services each way on the Sabena routes using its own Boeing 737-400 aircraft before the end of November.

The deal makes it more likely that Virgin Express will concentrate on developing services into France from Brussels, rather than acquire a French airline.

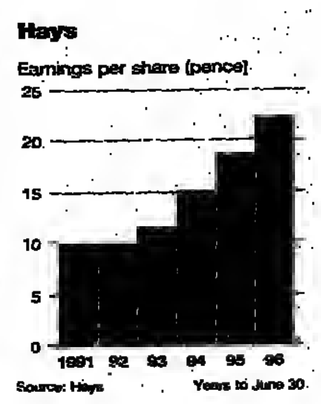
It is understood that Virgin Express has been approached to make a consortium bid for Air Liberté, the troubled French carrier subject to a joint takeover offer by British Airways and Groupe Rivaud, the French bank. Adding Air Liberté to TAT, its existing French airline, would give BA about 20 per cent of the French domestic market.

Administrators to Air Liberté are expected to meet today to consider the FFr630m ($118.6m) BA/Rivaud offer. But Virgin executives appear to believe BA is offering a very full price for a carrier suffering heavy losses.

Separately, Nouvelles Frontières, the travel group which this week withdrew from bidding for Air Liberté, confirmed it was interested in AOM, another French domestic airline owned by Crédit Lyonnais, the troubled state-owned bank.

LEX COMMENT

Executive pay



The principle of very large rewards for exceptional performance and penalties for poor performance is absolutely correct. For that reason alone, Hays' new long-term bonus plan looks like a good idea. If all goes swimmingly, the group's managers can multiply their money by a factor of 24 over five years. But they also risk losing their entire initial outlay. And while they must put cash from their own taxed income into the scheme, they will be rewarded with Hays shares. In many long-term incentive plans participants contribute part of a pre-tax bonus not yet received – which is much less painful. In the quest to align the interests of management and shareholders this scheme goes further than most.

There are, however, two niggles. First, the new bonus plan does not replace other parts of the executives' remuneration package, it is merely another layer of the cake. Participants will continue to draw the same salaries and be eligible for annual cash bonuses as well as the group's two share option schemes. A cut in basic salary in return for being granted such a highly geared incentive plan would seem fairer.

Second, while the scheme's performance hurdles are demanding, it is questionable whether growth in earnings per share is the right measure, since it is relatively easy to manipulate. Basing the performance targets on a blend of earnings growth and total return to shareholders might be a better solution.

Emap calls for EGM on directors

By William Lewis and Christopher Price

Emap, the media and exhibitions group yesterday called an extraordinary meeting to seek to oust two of its non-executive directors who had earlier called for Sir John Hoskyns, chairman, to resign.

The meeting is likely to be at the beginning of December, and is likely to be preceded by rival campaigns for shareholder support.

The announcement last night followed a two-day meeting of all 13 directors at Melton Mowbray, Leicestershire, at which Professor Ken Simmonds and Mr Joe Cooke, the two non-executive directors, called on Sir John to resign and alleged he had misled shareholders and directors over new rules for removing directors.

Over two days of tense negotiations Mr David Arculus, group managing director, moved between the two camps of directors, based in different rooms, attempting to act as a peacemaker.

However several proposals were rejected by both sides. Sir John's side dismissed a proposal that he, Mr Robin Miller, chief executive, and the two dissident non-executives resign simultaneously. Mr Richard Winfrey, deputy chairman, would have taken over as chairman. Another suggestion was that the two rebels resign at next year's annual meeting, but they rejected this.

Professor Simmonds said he had suggested that both he and Sir John step down, but this was thrown out by the board.

At the company's annual meeting in July shareholders approved a change to Emap's articles of association which enabled directors to be ousted with the approval of 75 per cent of the board.

The company alan scrapped the rule that it had to have at least five non-executive directors.

Twosome's share of success

George Graham profiles ICV's chairman and chief executive

Yesterday's £65m ($101m) sale of ICV to the US database group Primark leaves the twosome which has turned the company into the leading supplier of share prices and news in the UK with a sizeable profit.

ICV's principal shareholder is a trust for the benefit of Mr Christopher Sharples, its chairman, and his family. That 54 per cent stake is now worth £35m.

The 17 per cent stake held by Mr David Taylor, chief executive, will fetch £11m, and other senior managers will between them own shares worth £7m.

It is Mr Sharples who, as chairman first of the Association of Futures Brokers and Dealers and then of the Securities and Futures Authority, has had the higher profile.

The son of two Conservative politicians – his father, Sir Richard Sharples, was assassinated in 1973 while serving as governor of Bermuda, and his mother, Baroness Sharples, sits in the House of Lords – he started his career with the Czarnikow sugar broking house.

In 1972 he co-founded InterCommodities, a specialist derivatives trader now called GNI and owned by Gerrard & National.

Mr Sharples hired Mr Taylor in 1980 as his marketing manager, when the then 23-year-old IBM graduate trainee tried to sell him an expensive typewriter.

ICV was born out of InterCommodities in 1981 and soon became the first company to put commodity prices on screen. In the early 1980s it became a bible to UK potato farmers through the potato futures prices it published through Prestel CitiService, the television-based information system.

CitiService was sold to British Telecom in 1990, and ICV took a step forward in 1993 when the London Stock Exchange outsourced its Topic share information service to ICV and Telekurs of Switzerland. ICV bought out Telekurs last year. The Topic contract put ICV into competition with Reuters.

A new contract with the Stock Exchange this year to provide software supporting the exchange's new electronic trading system has pushed ICV further into confrontation with Reuters that can only be accentuated by the new link with Dow Jones, Reuters' arch rival in the news service market.

Although Mr Sharples remains the main shareholder Mr Taylor is generally given credit as the driving force behind ICV's development.

Under the terms of yesterday's deal they will remain as chairman and chief executive respectively of ICV, and will take on the same roles at Datastream, Primark's UK-based securities data business.

Staying: Christopher Sharples (left), and David Taylor

Hays develops bonus scheme

By Daniel Bögler

Hays, the UK business services group, is launching an innovative long-term bonus scheme that mimics the high risks and lavish rewards of a management buy-out.

Under the scheme, top managers could turn a £20,000 stake into £480,000 or lose their entire investment, depending on the group's performance.

It is the idea of Mr Ronnie Frost, chairman, who started out as a chicken trader and now owns Hays shares worth more than £100m after leading its 1987 MBO and 1989 flotation.

Mr Frost said: "I want to pass on the culture of our original buy-out to the next generation. I want to motivate my key executives and lock them in al the same time."

The plan will not be open to executives who participated in the buy-out, but will include Mr John Napier, group managing director, and Mr David Tibble, finance director.

About 30 Hays executives will be invited to pay into a trust fund up to 20 per cent of their basic salary in any year. After five years, the fund will grant them Hays shares, awarded according to earnings growth over the period.

As its benchmark, the scheme takes the average annual growth in earnings per share of the median FTSE 100 company – forecast by City analysts to be 5-8 per cent.

If Hays' earnings growth matches that figure, the participants lose their stake. If it beats it by 2 per cent, they are granted enough shares to get their money back, but without interest. Thereafter, the gearing of the plan increases rapidly.

Over the past five years, only seven FTSE 100 companies have outperformed the median by 10 per cent or mora.

ICI sees upturn in chemicals

By Ross Tieman

Imperial Chemical Industries yesterday showed third quarter pre-tax profits down 47 per cent to £131m ($204m) – and claimed to detect the first signs of an upturn in the chemicals cycle.

Mr Alan Spall, finance director, said the company had experienced volume gains in all its businesses during the latest quarter, although prices remain weak. In the industrial chemicals division – chief victim of the cyclical downswing – "We have had volume increases in mainland Europe for the first time in six quarters," he said.

The glimmer of recovery comes after a bruising first nine months of the year. Despite £90m of savings from a cost cutting programme, involving the loss of 2,500 jobs, group pre-tax profits fell 48.6 per cent to £385m. The figure was struck after exceptional charges of £113m for restructuring.

In the latest quarter industrial chemicals managed only to break even on sales of £954m. During the same months of 1995, they made trading profits of £124m from turnover of £1bn.

Shares in ICI rose 17p to 792½p. Mr David Ingles, of HSBC James Capel, said "they were pretty poor numbers, but there were no nasty surprises."

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Eidos	3 mths to June 30	9.09	(0.021)	2.28L	(0.165L)	19.29L†	(5.81L)	-	-	-	-	-
Ennex Intl §$	6 mths to June 30	nil	(nil)	0.046L	(0.037L)	0.05L	(0.04L)	-	-	-	-	-
ICI	9 mths to Sept 30	7,965	(7,708)	385♠	(749♠)	29.1	(61.6)	-	-	-	-	30
Minmet ♣	6 mths to June 30	nil	(0.066)	0.033L	(0.276L)	nil	(0.17L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abtrust New Thai	6 mths to Aug 31	188.11	(191.64)	0.472	(0.35)	2.9†	(2.3)	-	-	-	-	2⁂
Brit & American	25 wks to June 30★	114	(92)	0.583	(0.689)	2.33	(2.76)	1	Nov 21	0.44	-	1.94
Gresham House	6 mths to June 30	17.4	(37.4L)	0.091	(1.11♥)	2.1	(26.1)	-	-	-	-	nil
Schroders Vent Int	49 wks to May 23	193.6	(-)	0.008	(-)	0.44	(-)	-	-	-	-	-
Scottish Mortgage	6 mths to Sept 30★	322.9	(309.8◆)	14.7	(12.3)	4.06	(3.42)	1.65	Dec 2	1.5	-	4.65

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. §USM stock. $US currency. ♣Irish currency. ★Comparatives restated. ⁂Included 0.65p special. ◆At March 31.

NEWS DIGEST

Premier buys stake in Pakistani field

Premier Oil, the UK-based independent oil and gas company, has paid $33m for a 15.79 per cent stake in a gas field in Pakistan as it announced a meeting with Discovery Petroleum, its bid target in Australia.

Mr Charles Jamieson, chief executive, said the group had "plenty of capacity" for both deals. The Pakistan venture and the proposed A$91.2m ($71.8m) price for Discovery would push gearing to about 60 per cent. Mr Steve Lowden, general manager of Premier's international operations, will meet Discovery directors in Australia today to discuss the latter's rejection of Premier's 70 cents a share offer earlier this week.

Discovery's directors rejected the offer as too low after Oil Search, another Australian oil independent, bought a 10.1 per cent stake in Discovery for 75 cents a share.

The company's rejection also coincided with a report by accountants Grant Samuel which valued the shares at between 77 and 95 cents.

The Pakistani deal adds about 2,000 barrels a day to Premier's production. It bought the stake from Idemitsu of Japan. Pakistan's Oil and Gas Development Corporation owns 50 per cent of the site while Lasmo, the UK's second largest independent oil explorer, is the site's operating company with an 18 per cent stake.

Jane Martinson

Smiths makes US purchase

Smiths Industries, the aerospace, medical and industrial equipment group, has expanded its presence in the North American aerospace market with the $30m ocquisition of Leland Electronics. Smiths intends to pay $13.5m cash to Leland's private owners and assume $16.5m of debt, with the final price depending on valuation of net assets.

Leland, which manufactures electrical power generators, made operating profits of $4.7m on sales of $36.5m in the year to the end of June. More than 12,000 aircraft are fitted with its products, primarily in the US.

Justin Marozzi

Pressing the case for cider

Bulmer's chief executive tells David Blackwell why he's not worried about alcopops

Alcopops are for the young and are downmarkat, says Mr John Rudgard, chief executive of HP Bulmer, whereas the cider consumer is becoming older and more upmarket.

"Alcopops are fashion driven, so peopls will tire of them," argues the head of the UK's leading cider maker, pointing out that sales of alcoholic lemonades and aimilar drinks have started to decline in Australia, whsre they were pioneered.

Hia argument directly contradicts Matthew Clark, Bulmer's main cider rival, which last month issued a profits warning and laid the blame fair and square on the incursions of alcopops into its premium cider market.

Independent research carried out for Bulmer shows that 60 per cent of alcopops drinkers have switched from drinking lager – either canned, bottled or draught. Only 15 per cent have turned to alcopops from cider.

Mr Rudgard also argues that while alcopops have proved a roaring success, the size of the market should be kept in perspective. Total UK alcopop salea are estimated at about 614,000 hectolitres a year, compared with 1m hectolitres of Strongbow, Bulmer's leading branded cider.

He is almost messianic in his belief in the future of cider, and is not afraid to stick his neck out. In 1988 he doubled the advertising budget at Bulmer when cider volumes in the UK were falling.

Earnings immediately tumbled. "I got nought out of 10 for business acumen and 10 out of 10 for courage," he chuckles.

Not a fashion victim: John Rudgard argues that alcopops are a fad the young will soon tire of

However, the strategy raversed the decline in cider's fortunes in the UK drinks market, and earnings soon recovered.

Sales have spread further across the UK from the Hereford and west country base and the group nnw sells more cider north than south of a line from the Wirral to the Wash.

Bulmer has not turned its back entirely on alcopops, bottling Bass's Hooper's Hooch at its Belgian plant and distributing Two Dogs in Australia.

But these are opportunist operations – the group has diaposed of all peripheral businesses such as pectin and fruit juice over the past few years in order to focus firmly on cider.

Group research shows that cider drinking is steadily increasing in popularity. In 1992 only 16.2 per cent of adults said that they drank cider occasionally, but a similar survey this year shows the figure had risen to 22.5 per cent.

It estimates the UK market will show underlying growth of 5 per cent this year to just over 5.23m hectolitres.

If this rate of growth continues, the market will touch 6.82m hectolitres by the end of 2000.

Bulmer has steadily increased its share of the UK market to just over half, and is now looking overseas for further growth. It has started to experiment with Strongbow draught at 150 bars in Belgium, a further 150 in Italy and 200 in the US.

Early results are encouraging, according to Mr Rudgard, who, in spite of his convictions about cider's growth prospects, is making haste slowly. "We do not want cider to he fashlon driven internationally," he argues. "We have a 25-year perspective."

His ambition is to capture 0.5 per cent of the developed world's beer market.

"In the developed world youngsters are doing the same things on Friday and Saturday nights," he says.

"If we can get cider accepted in venue bars the only queations are how many venue bars are there around the world and how do you get there?"

While he denies attempting tn do for cider what Guinness did for stout, he does argua that Strongbow "has all the characteristics of an international brand" and that he has a strong home market base on which to build.

And 0.5 per cent of the beer markel does not look too ambitious, he maintains, when UK cider consumption is equal to about 6 per cent of the UK beer market.

Nasdaq listing for Eidos

By Justin Marozzi

Eidos, the compnter games software gronp, yesterday announced plans fnr a pnblic offering of np to 7m shares on Nasdaq to raise np to $70m.

The sharas closed unchanged at 792½p.

The mnve's final details have yet to be finalised. "Wa still need to go on a roadshow for the US institutions and their interest will to some extent determine the pricing," said Mr Charles Cornwall, chief executive.

A Nasdaq listing wonld allow the gronp access to the market nn a "more favonrable atatus" and attract new US investors.

"We're one of the few quoted developer-publishers on the main market in the UK and it is very difficult for investors to look at comparables."

Eidos will usa the proceeds to invest in new prodncts and "development companies with proven track records".

The group also announced a 25 per cent acquisition of Innerloop Technologies, the Norwegian compnter games developer, for $875,000.

Mr Cornwall said that in the past the indnatry had made the "great mistake" of buying developer houses and then seeing key people leave. Acquiring partial stakes would help create "a relationship with long-term benefits to both pnblisher and developer".

The offering of shares in the form nf ADSs – represented by ADRs to US and UK investors – will improve tha group's

INTERNATIONAL CAPITAL MARKETS

Gilts trading hectic amid talk of squeeze

GOVERNMENT BONDS

By Samer Iskandar and Richard Adams in London and Lisa Bransten in New York

Traders in UK gilts had a hectic session yesterday, as they had to juggle with rumours of a market squeeze as well as the potential effects of a ruling by the European Court of Justice against the government on the issue of VAT claims. The market was also under pressure from sterling's weakness against the D-Mark.

Liffe's December long gilt future settled at 109$\frac{5}{16}$, down ⅜, before reaching a low of 109¼ in after-hours trading.

The Bank of England auctioned £1.5bn of 8 per cent stock due 2015. Bids covered 2.66 times the amount on offer and the auction left no tail – the highest accepted bid matched the average bid at a yield of 7.86 per cent.

Rumours circulated in London dealing rooms that Goldman Sachs, the US investment bank, had cornered the market by buying between two-thirds and the whole amount offered were dismissed by traders as unrealistic. Goldman Sachs said it never comments on its market dealings.

Mr Andrew Roberts, a gilt analyst at UBS, said "simple arithmetic shows that it is impossible for one institution to end up owning anything near the total amount".

The regulatory framework also went some way to dispel the rumour. The Bank of England's operational notice (June 1996) states that although "the Bank will allot stock to individual bidders at its absolute discretion ... bidders should not expect to acquire at the auction for their own account more than 25 per cent of the amount on offer."

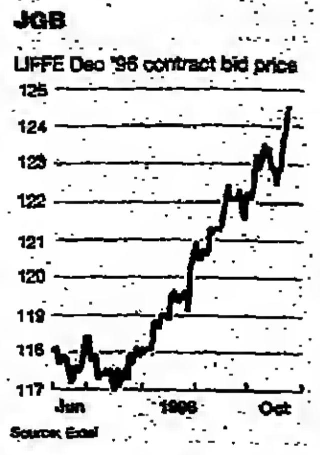
This, however, does not prevent market-makers from bidding on behalf of clients, with no ceiling.

One senior analyst in London said: "It does not matter whether someone cornered the market. This will soon be forgotten, because if their aim was to gain by driving prices up, it was obviously defeated."

The 8 per cent gilt due 2015 was trading at 100$\frac{13}{16}$ late in the afternoon, down from 101$\frac{9}{32}$, the price at which it was allotted at the auction – a loss of approximately £8m on the total of £1.5bn that had been issued.

Analysts warned that the market could remain edgy in the near term, but several agreed the long-term outlook was bullish.

"The funding environment is favourable, with monthly supply of around £1bn in the next three to six months", said Mr Simon Briscoe, chief UK economist at Nikko.



■ Other European markets were down, in line with bunds and US Treasuries. Traders said that in the absence of further economic news, Wednesday's bearish comments by Bundesbank officials continued to be the market's main source of inspiration. Liffe's December bund future closed at 99.37, down 0.20.

In the cash market, Italian BTPs and Spanish bonos outperformed, their 10-year yield spreads over bunds narrowing by 4 basis points to 224 and 178 points respectively.

■ Liffe's December JGB future yesterday reached another record high, rising 0.52 to 124.56. It also traded above its Tokyo settlement price of 124.42.

Dealers in Tokyo said the rise was due to news that the Finance Ministry's trust fund bureau will maintain its current portfolio strategy, which attributes a heavy weighting to holdings of JGBs.

In the cash market, the benchmark bond number 182 rose 0.40 to 102.64, its yield dropping to 2.63, from 2.69.

■ A drop in the number of people filing for unemployment benefits last week caused US Treasury bonds to give up the gains made late on Wednesday.

Near midday, the benchmark 30-year Treasury was ½ lower at 98$\frac{5}{32}$, to yield 6.865 per cent, while the two-year note had fallen $\frac{1}{16}$ to 99$\frac{25}{32}$, yielding 5.942 per cent. The December 30-year bond future lost $\frac{3}{32}$ to 110$\frac{1}{32}$.

Bond prices were flat in morning trading, and fell after the Labor Department said that the number of people filing first-time claims for unemployment benefits fell by 22,000 last week.

Economists from Donaldson, Lufkin & Jenrette said the data "point to further strength in the labour market, regardless of the temporary effects of the auto workers' strike".

They added, however, that there seemed little correlation between often volatile weekly data and monthly figures on job growth. October employment figures are due a week from today.

CAPITAL MARKETS NEWS DIGEST

Lebanese hotel group plans listing

Two of Lebanon's most famous landmarks took another step out of the ashes of war-damaged Beirut yesterday when *Société des Grands Hotels du Liban* approved a significant capital increase via a debt and equity package. SGHL is undertaking the restoration of the once luxurious 572-room Phoenicia Intercontinental Hotel, which was gutted during the civil war, and the company's subsequent listing on the Beirut Stock Exchange should boost trading on the near dormant bourse.

Mr Omar Jaroudi, director of Lebanon Invest Finance, said "the restoration package comprises a capital increase from L£528m to L£160bn ($103m) and loans totalling $55m", adding that "under the asset revaluation, shareholders receive 197 shares for each old one and those contributing fully to the capital increase 105 shares for each old one".

The Beirut exchange, which has been lacklustre since it reopened in January after a 13-year closure, is at the heart of plans by Mr Rafik al-Hariri's, the Lebanese prime minister, to revive Lebanon's capital markets. It is a vital future conduit for funds to flow into the country for national reconstruction. Lebanon's biggest company, Solidere, moved its shares this month from the privately operated Beirut Secondary Market to tha official BSE. This added $2bn to the market capitalisation of the bourse, which was less than $400m. Mr Jaroudi said "the demand for stock on the Beirut market will increase with the listing of SGHL because it will introduce full transparency and disclosure, which is presently lacking, but vital to get the market going". *Sean Evers, Cairo*

Banco di Napoli clears hurdle

The last important hurdle in the path of privatising the ailing Banco di Napoli, the most important financial institution in southern Italy, was cleared yesterday when the chamber of deputies endorsed a L2,000bn capital injection from the treasury. The centre-left government of Mr Romano Prodi imposed a vote of confidence to prevent the bank's rescue operation being slowed by more than 1,000 amendments tabled by the populist Northern League. The legislation now goes to the senate but the government has a clear majority there. Apart from the capital increase, the operation involves hiving off some L10,000bn in bad loans to Reviban, a shell company owned by Banco di Napoli. *Robert Graham, Rome*

Indices for Lithuanian SE

The National Stock Exchange of Lithuania, based in Vilnius, announced its first official stock market indices yesterday. The Litin-A index includes 23 listed equities of companies comprising 32 per cent of total market capitalisation on the Lithuania exchange. The Litin-G index includes all recently quoted listed shares. The index base is 1,000 at January 1 1996. So far this year the Litin-A index has risen by nearly 72 per cent and the Litin-G by 30 per cent. *Richard Adams*

Double-A rated issuers offer five-year deals

INTERNATIONAL BONDS

By Conner Middelmann

More US dollar-denominated five-year eurobonds surfaced yesterday. However, unlike a recent slew of triple-A rated issues – five-year bonds priced at spreads in the low teens over Treasuries – yesterday's issues came from double-A rated borrowers offering juicier yields.

Associates Corp of North America, the diversified US consumer and commercial finance company 80 per cent owned by Ford, issued $600m of five-year bonds yielding 40 basis points over Treasuries.

The issue – the borrower's second visit to the eurobond market – was well received, because of its generous pricing.

According to an official at Lehman Brothers, joint book-runner with Goldman Sachs, the deal was more than twice subscribed, and tightened to 39 basis points on the bid side after the bonds were freed to trade.

A $300m transaction for Japan's Kyushu Electric Power, although more tightly priced at a spread of 22 basis points, also benefited from demand for higher yield. According to lead manager Merrill Lynch, some 20 per cent of the issue went to Asian investors, with the rest spread across institutions in Europe.

Argentina was another borrower to gain from investors' hunt for yield, with its Y50bn offering of bonds due March 2005: the unusual maturity made it possible for the bonds to bear a 8 per cent coupon.

The transaction was targeted almost entirely at Japanese investors.

"The Japanese bond market keeps hitting all-time highs – 10-year JGBs now yield 2.75 per cent and short-term rates are around 0.4 per cent – so investors are hunting for anything that offers higher returns," said a syndicate manager at book-runner Nikko Europe.

The bonds were sold mostly to local institutions such as regional banks and co-operatives, he said.

Crédit Local de France capitalised on bullish sentiment in the Italian bond market after Wednesday's central bank rate cuts, increasing a L200bn 10-year bond issue launched on Wednesday by L100bn.

An official at Credito Italiano, joint lead with Monte dei Paschi di Siena, said the bonds saw strong demand from Italian and international investors.

Elsewhere, the Korean Development Bank appointed J.P. Morgan and Merrill Lynch to lead-manager its fifth global bond, due to be launched in coming weeks.

It will be the first sovereign benchmark bond from Korea since the country was invited to join the OECD. The offering will be worth $500m and have an intermediate maturity.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Associates Corp of Nth America	600	6.75	99.818R	Oct 2001	0.30R	+40(WI 5yr)	Goldman/Lehman Bros
Kyushu Electric Power	300	6.50	99.562R	Nov 2001	0.275R	+22(6½%Oct01)	Merrill Lynch International
■ YEN							
Republic of Argentina(a)‡	50bn	8.00	99.00R	Mar 2005	1.00R	-	Nikko Europe
■ FRENCH FRANCS							
SNCF	1.5bn	6.125	99.032R	Nov 2008	0.35R	+13(8½%Oct08)	ABN Amro Hoare Govett
■ ITALIAN LIRE							
Crédit Local de France(a)	100bn	8.125	101.79	Dec 2006	2.00	-	Credito/Monte dei Paschi
■ PESETAS							
WestLB Finance Curaçao	10bn	6.80	101.826	Nov 2001	2.00	-	Banco Finantia
Council of Europe(b)	7bn	5.25	100.475	Nov 2011	1.625	-	JP Morgan
■ AUSTRALIAN DOLLARS							
Ford Credit Australia	100	7.50	101.893	Dec 2001	2.00	-	ABN Amro Hoare Govett

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. R: fixed re-offer price; fees shown at re-offer level. a) L200bn launched Wednesday was increased to L300bn. b) Pta15bn launched on Tuesday was increased to Pta22bn. Redemption price: 171.171%. Callable on 25/11/01 at 113.992% and on 25/11/03 at 122.251%. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	95.2650	-0.740	7.42	7.65	8.02
Austria		5.875	07/06	98.3400	-0.130	6.10	5.98	6.15
Belgium		7.000	05/06	105.2200	-0.120	6.12	6.12	6.40
Canada *		7.000	12/06	103.6300	-0.230	6.50	6.59	7.30
Denmark		8.000	03/06	107.5400	-0.220	6.89	6.91	7.13
France	BTAN	5.500	10/01	102.3372	-0.090	4.97	5.02	5.32
	OAT	6.500	10/06	103.6700	-0.210	6.00	6.00	6.17
Germany Bund		6.250	04/06	101.4000	-0.250	6.05	6.04	6.17
Ireland		8.000	08/06	107.3800	-0.240	6.94	6.98	7.26
Italy		9.500	02/06	108.8200	-0.200	8.13†	8.20	8.96
Japan	No 140	6.600	06/01	122.3048	+0.410	1.52	1.65	1.82
	No 182	3.000	09/05	102.6435	+0.410	2.64	2.83	2.90
Netherlands		8.500	06/06	116.1100	-0.320	5.97	5.95	6.08
Portugal		9.500	02/06	112.4000	-0.200	7.59	7.74	8.26
Spain		8.800	04/06	106.3200	-0.130	7.81	7.89	8.42
Sweden		6.000	02/05	92.6222	+0.170	7.20	7.33	7.60
UK Gilts		8.000	12/00	103-18	-8/32	6.97	6.87	6.93
		7.500	12/06	99-05	-14/32	7.62	7.54	7.72
		9.000	10/08	109-27	-13/32	7.73	7.67	7.85
US Treasury *		6.500	10/06	99-13	-1/32	6.58	6.52	6.71
		6.750	08/26	98-16	-2/32	6.87	6.82	6.95
ECU (French Govt)		7.000	04/06	104.3300	-0.160	6.37	6.36	6.64

London closing, *New York mid-day. Yields: Local market standard. † Gross (including withholding tax at 12.5 per cent payable by nonresidents). Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	5.96
Broker loan rate	7	Two month	-	Three year	6.08
Fed.funds	5¼	Three month	5.11	Five year	6.23
Fed.funds at intervention	-	Six month	5.27	10-year	6.51
		One year	5.53	30-year	6.86

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	126.36	126.22	-0.16	126.44	126.20	113,785	190,866
Mar	126.34	126.22	-0.16	126.40	126.24	3,766	26,069
Jun	125.56	124.98	-0.14	125.14	124.98	1,003	5,741

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (Oct 23)

Strike Price	CALLS Nov	Dec	Mar	PUTS Nov	Dec	Mar
122	3.36	-	3.75	-	-	0.43
124	-	2.47	-	0.01	0.10	0.64
125	1.37	1.82	2.25	0.02	0.28	0.90
126	0.63	0.93	-	0.16	0.56	-
127	0.07	0.46	-	0.70	1.08	-

Est. vol. total, Calls 22,442 Puts 22,436. Previous day's open int., Calls 203,206 Puts 202,081.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.56	99.27	-0.20	99.58	99.16	179094	255626
Mar	98.40	98.25	-0.19	98.45	98.17	3376	14112

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9900	0.27	0.72	0.45	0.77	0	0.45	1.20	1.52
9950	0	0.45	0.30	0.59	0.23	0.68	1.55	1.84
10000	0	0.26	0.19	0.44	0.73	0.99	1.94	2.19

Est. vol. total, Calls 16877 Puts 12448. Previous day's open int., Calls 220498 Puts 241949

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	123.75	123.51	+0.03	123.90	123.20	44410	82147
Mar	123.00	122.74	+0.01	123.00	122.67	941	2890

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	Mar	PUTS Dec	Mar
12350	1.15	1.79	1.14	2.55
12400	0.89	1.58	1.38	2.84
12450	0.69	1.37	1.68	3.13

Est. vol. total, Calls 5425 Puts 11645. Previous day's open int., Calls 191925 Puts 169632

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	107.17	107.08	+0.16	107.37	106.92	87,730	72,933

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	109-25	109-10	-0-15	110-11	109-04	123528	158642
Mar		109-14	-0-15			0	2326

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
109	0-52	1-06	0-62	1-34	0	0-50	1-34	2-06
110	0	0-39	0-38	1-07	0-12	1-19	2-10	2-43
111	0	0-16	0-21	0-50	1-12	1-62	2-57	3-22

Est. vol. total, Calls 6176 Puts 1950. Previous day's open int., Calls 49458 Puts 38415

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.06	93.94	-0.14	94.10	93.96	895	7,146
Mar		93.44					

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	110-28	110-25	-0-02	110-31	110-15	234,621	368,679
Mar	110-14	110-10	-0-02	110-15	110-02	212	25,616
Jun		109-17				212	5,381

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol.	Open int.
Dec	124.34			124.56	124.34	4017	na
Mar	123.39			123.57	123.38	1267	na

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Oct 24	Day's change %	Wed Oct 23	Accrued interest	xd adj. ytd
1 Up to 5 years (22)	121.66	-0.04	121.71	2.50	5.04
2 5-15 years (19)	149.98	-0.35	150.52	3.22	8.49
3 Over 15 years (6)	165.73	-0.42	166.43	3.55	6.60
4 Irredeemables (6)	190.42	-0.71	191.77	4.39	8.83
5 All stocks (53)	144.09	-0.28	144.47	3.05	8.65
Index-linked					
6 Up to 5 years (2)	202.88	-0.02	202.93	0.38	5.28
7 Over 5 years (10)	194.59	-0.17	194.91	1.32	4.17
8 All stocks (12)	194.41	-0.15	194.70	1.21	4.21

UK Indices

Yield indices	Low coupon yield Oct 24	Oct 23	Yr. ago	Medium coupon yield Oct 24	Oct 23	Yr. ago	High coupon yield Oct 24	Oct 23	Yr. ago
5 yrs	7.10	7.02	7.55	7.14	7.08	7.55	7.21	7.14	7.65
15 yrs	7.87	7.82	8.16	7.84	7.79	8.20	7.89	7.83	8.30
20 yrs	7.98	7.93	8.21	7.93	7.88	8.25	7.96	7.92	8.33
Irred.†	8.03	7.97	8.35						

Index-linked	Inflation rate 5% Oct 24	Oct 23	Yr. ago	Inflation rate 10% Oct 24	Oct 23	Yr. ago
Up to 5 yrs	3.08	3.07	3.26	2.40	2.39	2.11
Over 5 yrs	3.55	3.53	3.70	3.34	3.33	3.49

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Oct 24	Oct 23	Oct 22	Oct 21	Oct 18	Yr ago	High*	Low*
Govt. Secs. (UK)	93.83	94.12	94.30	93.90	94.00	93.35	96.34	91.59
Fixed Interest	115.40	115.58	115.45	115.40	111.84	116.45	110.74	[illegible]

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

Gilt Edged Activity Indices

	Oct 23	Oct 22	Oct 21	Oct 18	Oct 17
Gilt Edged bargains	88.7	124.5	82.8	150.5	157.8
5-day average	120.9	124.3	118.0	118.9	110.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 24

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

D-Mark advances on European crosses

MARKETS REPORT

By Simon Kuper

The D-Mark enjoyed its second day of gains yesterday, advancing most strongly against sterling. It benefited from Italian and Swedish interest rate cuts, and from Bundesbank comments on Wednesday that Germany would not reduce rates.

Sterling lost nine tenths of a pfennig to close in London at DM2.423. The last two days' trading have erased most of the pound's gains of last week.

But the D-Mark firmed only a fifth of a pfennig against the dollar and slipped marginally against the yen as the major currencies were stuck in narrow ranges.

The dollar closed Y0.2 softer in London at Y112.8 after facing technical resistance at Y113. Many in the markets believe that Washington wants the dollar to stop rising against the yen.

■ Italy's rate cut of 75 basis points on Wednesday sent the lira falling below L1,007 to the D-Mark in early trading. By the London close the currency had recovered to L1,004, L2 down on the day.

The lira is now thought to be near the level at which Italy wants to join the European exchange rate mechanism. "Italian policy makers and industry are likely to be well pleased with the lira's weakening," said Mr Klaus Baader, economist at Deutsche Morgan Grenfell in London.

Italy hopes to join the ERM at a weak rate below L1,000 to the D-Mark. However, France would prefer its neighbour to join at a stronger rate, to stop Italian exports from gaining a competitive advantage.

Currency strategists said yesterday that the lira, which was forced out of the ERM with sterling in September 1992, could re-enter the mechanism by late November or mid December. Previously strategists had expected a re-entry after the New Year.

It is generally assumed that a currency must belong to the ERM for two years before it can join the single European currency.

Mr Filippo Cavazzuti, Italian treasury under secretary, said he hoped that a further interest rate cut would follow if parliament passed the 1997 Budget. The vote on the package is likely to take place in mid November.

Mr John Wareham, executive director of global foreign exchange at Merrill Lynch in London, said the Italian currency could fall further soon. With the end of the year approaching, many who had made money buying the lira on convergence trades might sell "to lock in a good year", he said.

■ Sterling's bad day had little to do with hard economic news. "It's largely profit taking," said Mr Chris Turner, currency analyst at BZW in London. Sterling's trade weighted index against a basket of currencies fell another 0.3 points to 88.5, and the pound fell two fifths of a cent against the dollar to $1.592.

Mr Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London, said the government's European Court defeat over VAT payments had helped depress the pound. Traders believe the judgement could increase the PSBR.

■ The currency markets had expected yesterday's Swedish rate cut. But they were surprised that the Riksbank, the central bank, also changed its repo rate policy.

The Riksbank cut its repo rate by 25 basis points to 4.60 per cent from next week, and said it would stop adjusting the repo rate every other Tuesday. Instead, the rate would stay unchanged for the next three operations. Mr Meggyesi said this seemed to mean that the end of the rate cycle had moved closer. For that reason, he said, yesterday's cut sent the crown only slightly lower to 4.325 to the D-Mark in London trading.

The Riksbank cut deposit and lending rates by 50 basis points to 4.25 per cent and 5.75 per cent respectively.

■ The New Zealand dollar lost nine tenths of a cent against the US dollar to close at $0.7006 in Asia yesterday, after the Reserve Bank said monetary conditions were too tight.

Foreign buying, particularly from Japan, had pushed the Kiwi upwards in recent months. This had the side-effect of tightening monetary policy.

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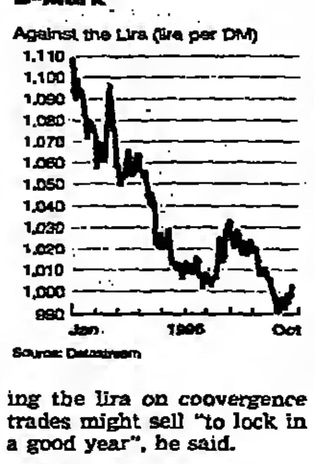
D-Mark

Against the Lira (lira per DM)



Source: Datastream

■ **Pound in New York**

Oct 24	--Latest--	-- Prev. close --
£ spot	1.5920	1.5960
1 mth	1.5913	1.5973
3 mth	1.5901	1.5962
1 yr	1.5834	1.5897

■ **OTHER CURRENCIES**

Oct 24	£	$
Czech Rp	42.8690 - 42.8687	26.9070 - 26.9270
Hungary	247.416 - 247.866	155.310 - 155.390
Iran	4775.10 - 4773.00	3000.00 - 3000.00
Kuwait	0.4757 - 0.4774	0.2986 - 0.2999
Poland	4.4692 - 4.4802	2.8112 - 2.8242
Russia	8697.77 - 8674.77	5448.00 - 5450.00
U.A.E.	5.8434 - 5.8465	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Oct 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.0477	-0.0815	418 - 536	17.1091	17.0340	17.0042	3.1	16.9477	2.3	-	-	104.6
Belgium	(BFr)	49.9207	-0.1744	779 - 635	50.1080	49.8250	49.8007	2.9	49.5757	2.8	48.5557	2.7	105.1
Denmark	(DKr)	9.2875	-0.038	835 - 915	9.3267	9.2610	9.2702	2.2	9.2386	2.1	9.1003	2.0	107.4
Finland	(FM)	7.2780	-0.0254	704 - 915	7.3010	7.2550	-	-	-	-	-	-	84.8
France	(FFr)	8.1827	-0.0384	793 - 861	8.2175	8.1705	8.1661	2.4	8.1353	2.3	7.9976	2.3	109.0
Germany	(DM)	2.4231	-0.0088	223 - 238	2.4327	2.4200	2.4176	2.7	2.4083	2.8	2.3564	2.8	108.0
Greece	(Dr)	379.871	-1.196	692 - 050	382.721	378.517	-	-	-	-	-	-	67.8
Ireland	(I£)	0.9897	-0.0006	881 - 902	0.9908	0.9889	0.9895	0.2	0.9892	0.2	0.9864	0.3	93.7
Italy	(L)	2431.96	-8.28	065 - 331	2445.22	2430.65	2437.03	-2.5	2445.58	-2.2	2468.98	-1.4	77.0
Luxembourg	(LFr)	49.9207	-0.1744	779 - 635	50.1080	49.8250	49.8007	2.8	49.5757	2.8	48.5557	2.7	105.1
Netherlands	(Fl)	2.7184	-0.0094	174 - 194	2.7285	2.7152	2.7114	3.1	2.6981	3.0	2.6395	2.9	106.2
Norway	(NKr)	10.2719	-0.0509	680 - 757	10.3386	10.2206	10.2619	1.2	10.2504	0.8	10.1984	0.7	98.9
Portugal	(Es)	244.471	-1.038	378 - 565	245.422	244.258	244.718	-1.2	245.006	-1.0	-	-	96.1
Spain	(Pta)	204.043	-0.871	966 - 120	204.974	203.865	204.243	-1.2	204.578	-1.0	205.293	-0.6	80.1
Sweden	(SKr)	10.4750	-0.0253	667 - 833	10.5135	10.4667	10.4742	0.1	10.4723	0.1	10.4637	0.1	90.7
Switzerland	(SFr)	2.0015	-0.0013	005 - 025	2.0037	1.9965	1.9940	4.5	1.9802	4.3	1.9191	4.1	110.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	88.5
Ecu	-	1.2643	-0.0049	637 - 649	1.2691	1.2626	1.2625	1.4	1.259	1.7	1.2412	1.8	-
SDR†	-	1.108750	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5911	-0.0061	907 - 915	1.5960	1.5891	-	-	-	-	-	-	-
Brazil	(R$)	1.6327	-0.006	320 - 334	1.6392	1.6300	-	-	-	-	-	-	-
Canada	(C$)	2.1414	-0.0024	405 - 423	2.1484	2.1374	2.1378	2.0	2.1306	2.0	2.1044	1.7	85.7
Mexico	(New Peso)	12.4436	-0.0802	368 - 503	12.5404	12.2949	-	-	-	-	-	-	-
USA	($)	1.5918	-0.005	910 - 917	1.5983	1.5893	1.5906	0.6	1.5895	0.5	1.5825	0.6	97.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0082	-	071 - 092	2.0190	2.0059	2.0089	-1.0	2.0122	-0.8	2.0191	-0.5	94.2
Hong Kong	(HK$)	12.3046	-0.039	015 - 077	12.3574	12.2896	12.3005	0.4	12.2976	0.2	12.3087	0.0	-
India	(Rs)	56.6981	-0.1716	680 - 521	56.8870	56.5887	-	-	-	-	-	-	-
Israel	(Shk)	5.2129	+0.0142	065 - 193	5.2230	5.1940	-	-	-	-	-	-	-
Japan	(Y)	179.624	-0.801	513 - 735	180.680	178.240	178.774	5.7	177.164	5.5	170.379	5.1	129.1
Malaysia	(M$)	3.9844	-0.0161	831 - 856	4.0062	3.9804	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2716	+0.0242	699 - 732	2.2893	2.2480	2.2764	-4.1	2.2933	-3.8	2.3319	-2.7	110.9
Philippines	(Peso)	41.8207	-0.1246	478 - 935	41.8935	41.7478	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9694	-0.0189	666 - 698	5.9926	5.9608	-	-	-	-	-	-	-
Singapore	(S$)	2.2536	-0.0076	527 - 545	2.2644	2.2501	-	-	-	-	-	-	-
South Africa	(R)	7.2987	-0.0057	931 - 043	7.3261	7.2885	-	-	-	-	-	-	-
South Korea	(Won)	1315.85	-4.49	417 - 713	1324.19	1314.17	-	-	-	-	-	-	-
Taiwan	(T$)	43.8576	-0.2031	191 - 981	44.0883	43.8161	-	-	-	-	-	-	-
Thailand	(Bt)	40.5556	-0.1127	387 - 724	40.7250	40.5030	-	-	-	-	-	-	-

† Rates for Oct 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria	(Sch)	10.7126	-0.0046	114 - 141	10.7240	10.6820	10.6893	2.2	10.6528	2.2	10.4578	2.4	104.6
Belgium	(BFr)	31.3700	-0.01	500 - 900	31.3960	31.2780	31.305	2.5	31.1725	2.5	30.5525	2.6	105.8
Denmark	(DKr)	5.8363	-0.004	350 - 375	5.8438	5.8249	5.8274	1.8	5.809	1.9	5.7373	1.9	106.7
Finland	(FM)	4.5722	+0.0015	697 - 747	4.5747	4.5500	4.5634	2.3	4.5446	2.4	4.4622	2.4	84.1
France	(FFr)	5.1420	-0.0076	410 - 430	5.1500	5.1315	5.1333	2.0	5.1152	2.1	5.033	2.1	108.3
Germany	(DM)	1.5227	-0.0007	225 - 229	1.5243	1.5180	1.5197	2.4	1.5131	2.5	1.4829	2.6	107.4
Greece	(Dr)	238.710	+0.005	650 - 770	239.500	238.080	240.265	-7.8	242.835	-6.9	253.86	-6.3	67.5
Ireland	(I£)	1.6080	-0.0041	075 - 085	1.6158	1.6054	1.6078	0.2	1.6074	0.1	1.6042	0.2	-
Italy	(L)	1528.25	+0.9	775 - 875	1533.15	1526.31	1532.05	-3.0	1538	-2.6	1553.5	-1.7	76.6
Luxembourg	(LFr)	31.3700	-0.01	500 - 900	31.3960	31.2780	31.305	2.5	31.1725	2.5	30.5525	2.6	105.8
Netherlands	(Fl)	1.7083	-0.0004	080 - 085	1.7155	1.7032	1.7045	2.7	1.6965	2.8	1.6609	2.8	106.7
Norway	(NKr)	6.4546	-0.0015	538 - 558	6.4778	6.4075	6.4517	0.7	6.4454	0.6	6.4199	0.5	98.0
Portugal	(Es)	153.625	-0.165	500 - 850	153.880	153.300	153.85	-1.8	154.125	-1.3	154.9	-0.8	96.2
Spain	(Pta)	128.220	-0.14	200 - 240	128.430	127.920	128.4	-1.7	128.66	-1.4	129.325	-0.9	79.8
Sweden	(SKr)	6.5825	+0.005	787 - 862	6.5888	6.5650	6.5796	0.5	6.5698	0.8	6.5225	0.9	90.3
Switzerland	(SFr)	1.2578	+0.0032	574 - 581	1.2588	1.2514	1.2534	4.2	1.245	4.1	1.2074	4.0	108.9
UK	(£)	1.5914	-0.005	910 - 917	1.5983	1.5893	1.5906	0.6	1.5895	0.5	1.5825	0.6	88.5
Ecu		1.2587	-0.0008	584 - 590	1.2618	1.2583	1.26	-1.3	1.2631	-1.4	1.2797	-1.7	-
SDR†		0.694184	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0290	-0.0005	258 - 262	1.0262	1.0258	-	-	-	-	-	-	-
Canada	(C$)	1.3457	+0.0028	454 - 459	1.3465	1.3455	1.3438	1.6	1.3398	1.8	1.3252	1.5	85.3
Mexico	(New Peso)	7.8195	-0.0255	170 - 220	7.8220	7.8120	7.8375	-18.1	8.204	-19.7	9.0845	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	98.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2619	+0.004	615 - 623	1.2623	1.2615	1.2634	-1.4	1.2653	-1.1	1.2708	-0.7	96.0
Hong Kong	(HK$)	7.7322	-	319 - 324	7.7324	7.7319	7.7321	0.0	7.7326	0.0	7.7437	-0.1	-
India	(Rs)	35.6250	+0.005	500 - 550	35.6550	35.5550	35.82	-7.2	36.26	-7.6	-	-	-
Israel	(Shk)	3.2758	+0.0193	725 - 791	3.2823	3.2543	-	-	-	-	-	-	-
Japan	(Y)	112.875	-0.145	830 - 920	113.080	112.630	112.37	5.4	111.375	5.3	107.19	5.1	129.4
Malaysia	(M$)	2.5038	-0.0022	035 - 040	2.5070	2.5025	2.5067	-1.4	2.512	-1.3	2.5333	-1.2	-
New Zealand	(NZ$)	1.4275	+0.0197	267 - 282	1.4282	1.4267	1.433	-4.6	1.4373	-2.7	1.4668	-2.8	-
Philippines	(Peso)	26.2800	+0.005	400 - 200	26.3200	26.2400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7504	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4162	-0.0003	158 - 164	1.4173	1.4153	1.414	1.8	1.4094	1.9	1.3882	2.0	-
South Africa	(R)	4.5865	+0.011	840 - 890	4.5890	4.5775	4.6272	-10.6	4.7022	-10.1	5.017	-9.4	-
South Korea	(Won)	826.750	-0.2	000 - 500	826.800	826.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.5600	-0.04	400 - 800	27.5650	27.5010	27.5601	0.0	27.5603	0.0	-	-	-
Thailand	(Bt)	25.4850	-0.01	800 - 900	25.4900	25.4400	25.575	-4.2	25.7425	-4.0	26.38	-3.5	-

† SDR rate per $ for Oct 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 23: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 24	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3	3	3 3/32	3⅛	3 7/32	aim	2.50	-
week ago	3 1/32	9	3 3/32	3⅛	3 7/32	6.00	2.50	-
France	3 11/32	3 13/32	3 13/32	3½	3 19/32	3.35	-	4.75
week ago	3 7/16	3 15/32	3 15/32	3 5/16	3 17/32	3.35	-	4.75
Germany	3 1/32	3¼	3 3/16	9 3/32	3 7/32	4.50	2.50	8.00
week ago	2 31/32	3⅛	3⅛	3¼	3 3/16	4.50	2.50	3.00
Ireland	5 3/16	5⅝	5 13/16	5 13/16	5 13/16	-	-	8.25
week ago	6 3/16	5 9/16	5⅝	5 11/16	5 11/16	-	-	6.25
Italy	7¾	7 13/16	7¾	7 13/16	7¼	9.00	7.50	8.38
week ago	8⅛	7 15/16	8⅛	7⅞	7 9/16	-	8.25	8.38
Netherlands	2 13/16	2 15/16	2 13/16	2 29/32	3⅛	-	3.00	3.30
week ago	2 11/16	2 29/32	2 27/32	2⅞	3 1/32	-	3.00	3.30
Switzerland	1⅛	1 5/16	1 15/16	1⅜	1 15/32	-	1.00	-
week ago	1 11/16	1 3/16	1¾	1¾	1 15/32	-	1.00	-
US	5 1/16	5 3/16	5⅜	5 15/32	5¾	-	5.00	-
week ago	5 3/16	5 5/16	5⅜	5 15/32	5 11/16	-	5.00	-
Japan	7/16	15/32	13/32	½	19/32	-	0.50	-
week ago	7/16	15/32	7/16	½	11/16	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅜	5 15/32	5⅝	5 13/16	-	-	-
week ago	-	5⅜	5 15/32	5⅝	5 13/16	-	-	-
US Dollar CDs	-	5.10	5.10	5.18	5.41	-	-	-
week ago	-	5.10	5.12	5.21	5.43	-	-	-
ECU Linked Ds	-	4¼	4 3/16	4⅛	4 3/16	-	-	-
week ago	-	4⅛	4⅛	4 3/16	4 3/16	-	-	-
SDR Linked Ds	-	3 1/16	3 3/16	3 3/16	3 9/32	-	-	-
week ago	-	3 3/16	3 3/16	3 3/16	3 9/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 24	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2 31/32	3⅛ - 2 31/32	3 3/32 - 3	3⅛ - 3	3⅛ - 3	3¼ - 3⅛
Danish Krone	3 13/32 - 3¼	3 13/32 - 9 13/32	3 13/32 - 3½	3 21/32 - 3 17/32	3¾ - 3 19/32	3 29/32 - 3¾
D-Mark	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3	3⅛ - 3	3⅛ - 3	3¼ - 3⅛
Dutch Guilder	2 13/32 - 2 13/32	2 15/16 - 2 13/16	2⅞ - 2 13/16	2 15/16 - 2 25/32	2 15/16 - 2 27/32	3⅛ - 3 1/16
French Franc	3⅜ - 3¼	3 13/32 - 3 5/16	3 7/16 - 3 5/16	3 13/32 - 3⅜	9 9/16 - 3 7/16	3⅝ - 3½
Portuguese Esc.	7 - 6 29/32	6 31/32 - 6 19/32	6 31/32 - 6 15/16	6 27/32 - 6¾	6 23/32 - 6⅝	6 21/32 - 6 13/32
Spanish Peseta	6 13/32 - 6 13/32	6 13/32 - 6 13/32	6 13/32 - 6 13/32	6⅞ - 6¾	6¾ - 6⅝	6 11/16 - 6 9/16
Sterling	5 13/16 - 5 13/16	5 27/32 - 5 11/16	5⅞ - 5 13/16	9 - 5 15/16	6 3/16 - 6 1/16	6 13/32 - 6⅜
Swiss Franc	1 7/16 - 1 5/16	1 11/16 - 1 5/16	1⅝ - 1½	1 11/16 - 1 9/16	1 11/16 - 1 9/16	1¾ - 1⅝
Can. Dollar	3⅜ - 3 5/16	3½ - 3 3/16	3⅜ - 3¼	3 7/16 - 3 5/16	3 15/32 - 3 13/32	3¾ - 3⅝
US Dollar	5 5/16 - 5 1/16	5 11/32 - 5 7/32	5 5/16 - 5 7/32	5½ - 5 13/32	5 19/32 - 5 15/32	5 27/32 - 5 23/32
Italian Lira	9¼ - 7⅞	7⅞ - 7¾	7 27/32 - 7 23/32	7¾ - 7 21/32	7 9/16 - 7 15/32	7 5/32 - 7 3/32
Yen	½ - ⅜	15/32 - 13/32	½ - 7/16	7/16 - 11/32	9/16 - 7/16	21/32 - 17/32
Asian $Sing	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3 5/16 - 3 3/16	3⅜ - 3¼	3⅜ - 3¼	9½ - 3⅜

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.43	96.44	+0.02	96.45	96.42	13,437	54,511
Mar	96.40	96.40	+0.01	96.42	96.37	12,017	47,730
Jun	96.36	96.34	-0.01	96.38	96.33	1,019	29,220

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.84	96.82	-0.01	96.84	96.81	32584	222451
Mar	96.83	96.79	-0.03	96.83	96.78	52300	197857
Jun	96.68	96.62	-0.06	96.70	96.91	49715	166194
Sep	96.47	96.41	-0.07	96.51	96.38	57301	153767

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.52	92.56	+0.13	92.58	92.51	29179	63526
Mar	93.10	93.07	+0.09	93.10	93.02	14579	49197
Jun	93.36	93.33	+0.03	93.39	93.29	6982	30831
Sep	93.50	93.41	-	93.50	93.38	4464	24494

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.27	98.17	-0.09	96.27	98.19	9916	32983
Mar	98.27	98.17	-0.08	98.27	98.16	7975	27176
Jun	98.12	98.02	-0.12	98.12	98.02	2727	14625
Sep	97.67	97.80	-0.13	97.90	97.62	1073	5043

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.44	99.44	+0.01	99.44	99.44	200	na
Mar	99.39	99.39	+0.03	99.39	99.39	425	na
Jun	99.28	99.29	+0.05	99.29	99.28	370	na

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.89	95.87	-	95.89	95.86	1426	7404
Mar	95.90	95.87	-	95.90	95.84	961	4775
Jun	95.85	95.81	-0.02	95.96	95.80	264	2961
Sep	95.76	95.71	-0.03	95.76	95.68	416	2680

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.60	16.39	4.854	1.981	4872	5.445	20.57	486.6	408.7	20.98	4.010	2.003	4.269	3.189	359.8	2.532
Denmark	(DKr)	53.75	10	9.811	2.609	1.065	2619	2.927	11.06	263.2	219.7	11.28	2.156	1.077	2.297	1.714	193.4	1.361
France	(FFr)	91.00	11.35	10	2.961	1.209	2972	3.322	12.55	298.7	249.3	12.91	2.447	1.222	2.618	1.945	219.5	1.545
Germany	(DM)	20.60	3.833	3.377	1	0.408	1004	1.122	4.239	100.9	94.19	4.325	0.826	0.413	0.884	0.657	74.12	0.522
Ireland	(I£)	50.48	8.390	8.274	2.450	1	2459	2.748	10.38	247.1	206.3	10.60	2.024	1.011	2.165	1.610	181.5	1.278
Italy	(L)	2.053	0.382	0.336	0.100	0.041	100.	0.112	0.422	10.05	8.388	0.431	0.082	0.041	0.088	0.065	7.385	0.052
Netherlands	(Fl)	18.37	3.417	3.011	0.891	0.364	894.8	1	3.779	89.92	75.06	3.856	0.737	0.368	0.788	0.586	66.08	0.465
Norway	(NKr)	48.61	9.043	7.968	2.359	0.963	2368	2.647	10	238.0	198.6	10.20	1.948	0.874	2.085	1.650	174.8	1.231
Portugal	(Es)	20.43	3.800	3.348	0.991	0.405	995.1	1.112	4.202	100.	83.47	4.288	0.819	0.409	0.876	0.650	73.49	0.517
Spain	(Pta)	24.47	4.552	4.011	1.188	0.485	1192	1.332	5.034	119.9	100.	5.137	0.981	0.490	1.050	0.780	88.04	0.620
Sweden	(SKr)	47.63	8.862	7.808	2.312	0.944	2321	2.594	9.800	233.2	194.7	10	1.910	0.954	2.043	1.518	171.4	1.206
Switzerland	(SFr)	24.94	4.639	4.087	1.210	0.494	1215	1.358	5.130	122.1	101.9	5.235	1	0.500	1.070	0.795	89.71	0.631
UK	(£)	49.92	9.287	8.183	2.423	0.989	2432	2.719	10.27	244.4	204.0	10.48	2.002	1	2.141	1.592	179.5	1.264
Canada	(C$)	23.32	4.338	3.822	1.132	0.462	1136	1.270	4.797	114.2	95.28	4.895	0.935	0.467	1	0.744	83.89	0.590
US	($)	31.36	5.834	5.140	1.522	0.621	1528	1.707	6.451	153.5	128.1	6.583	1.258	0.628	1.345	1	112.9	0.794
Japan	(Y)	27.80	5.171	4.556	1.349	0.551	1354	1.513	5.716	136.1	113.6	5.835	1.115	0.557	1.192	0.886	100.	0.704
Ecu		39.49	7.347	6.474	1.917	0.782	1924	2.150	8.125	193.4	161.4	8.291	1.584	0.791	1.694	1.259	142.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6583	0.6586	-0.0007	0.6587	0.6585	44,217	64,368
Mar	0.6629	0.6629	-0.0006	0.6631	0.6627	388	3,501
Jun	-	0.6680	-	-	-	339	2,444

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8020	0.7989	-0.0035	0.8003	0.7988	19,552	47,024
Mar	0.8068	0.8069	-0.0032	0.8070	0.8068	148	2,514
Jun	-	0.8197	-	-	-	1	605

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8922	0.8919	+0.0005	0.8936	0.8914	19,770	74,001
Mar	0.9044	0.9048	+0.0016	0.9048	0.9044	158	2,328
Jun	-	0.9173	-	-	-	33	247

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5958	1.5922	-0.0042	1.5922	1.5892	5,714	55,834
Mar	-	1.5968	-	-	1.5880	2	275
Jun	-	1.5920	-	-	1.5880	200	102

EMS EUROPEAN CURRENCY UNIT RATES

Oct 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	195.792	193.959	-0.173	-0.94	2.28	6
Ireland	0.792214	0.785082	+0.002551	-0.90	2.22	6
Finland	5.80661	5.77067	+0.0003	-0.62	1.94	4
Spain	162.493	161.950	-0.111	-0.33	1.64	2
Belgium	39.3960	39.3960	-0.2093	0.00	1.30	-0
Germany	1.91007	1.91007	-0.01242	0.00	1.30	-0
Denmark	7.28580	7.28580	-0.08243	0.00	1.30	-0
Netherlands	2.15214	2.15643	-0.00049	0.20	1.10	-1
Austria	13.4383	13.5255	-0.0004	0.65	0.65	-5
France	6.40608	9.48948	-0.01379	1.30	0.00	-11
NON ERM MEMBERS						
Greece	292.867	301.433	+0.259	2.92	-1.56	-
Italy	2106.15	1932.33	+2.05	-8.25	10.41	-
UK	0.786652	0.793223	+0.002812	0.84	0.48	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Nov	Dec	Jan	PUTS Nov	Dec	Jan
1.570	2.81	-	-	0.06	0.34	0.62
1.580	2.01	2.34	2.57	0.22	0.59	0.92
1.590	1.30	1.70	2.02	0.55	1.01	1.31
1.600	0.74	1.17	1.50	0.95	1.53	1.80
1.610	0.37	0.77	1.09	1.58	2.02	2.38

Previous day's vol., Calls 13,164 Puts 5,128 . Prev. day's open int., Calls 149,849 Puts 188,753

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.38	94.38	-	94.39	94.37	39,064	461,375
Mar	94.30	94.29	-	94.31	94.28	48,943	374,492
Jun	94.15	94.13	-0.01	94.16	94.12	31,454	274,067

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.96	94.94	-	94.96	94.94	108	3,974
Mar	94.91	94.81	+0.01	94.81	94.91	104	1,884
Jun	-	94.85	-	-	94.54	47	1,341

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9675	0.09	0.10	0.11	0.15	0.02	0.03	0.07	0.11
9700	0	0.01	0.03	0.05	0.18	0.19	0.24	0.26
9725	0	0	0.01	0.01	0.43	0.43	0.47	0.47

Est. vol. total, Calls 3920 Puts 4060. Previous day's open int., Calls 433236 Puts 308870

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9800	0.20	0.23	0.17	0.03	0.28	0.46
9825	0.08	0.10	0.08	0.13	0.17	0.68
9850	0.02	0.04	0.06	0.28	0.58	0.84

Est. vol. total, Calls 50 Puts 0. Previous day's open int., Calls 4178 Puts 2050

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9250	0.16	0.64	0.95	0.10	0.09	0.12
9275	0.06	0.47	0.78	0.25	0.15	0.18
9300	0.02	0.31	0.58	0.49	0.24	0.25

Est. vol. total, Calls 2998 Puts 6451. Previous day's open int., Calls 110776 Puts 62426

UK INTEREST RATES

LONDON MONEY RATES

Oct 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5	5⅞ - 5¾	5 13/16 - 5¾	6 1/32 - 5 29/32	6⅛ - 6	6 7/16 - 6 5/16
Sterling CDs	-	-	5 27/32 - 5 23/32	5 31/32 - 5 27/32	6 1/16 - 9	6 13/32 - 6¼
Treasury Bills	-	-	5 11/16 - 5⅝	5 31/32 - 5 27/32	-	-
Bank Bills	-	-	5 25/32 - 5 23/32	5⅞ - 5 13/16	9 - 5 15/16	-
Local authority deps.	5¾ - 5⅝	5¾ - 5⅝	5 27/32 - 5 23/32	5 15/16 - 5 13/16	6 1/16 - 5 31/32	6¼ - 6⅛
Discount Market deps	9 - 5¾	5 27/32 - 5 11/16	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Oct 18, 5.5618pc. ECGD Fixed rate Stg. Export Finance. Make up day Sep 30, 1996. Agreed rate for period Oct 26, 1996 to Nov 25, 1996, Schemes II & III 7.08pc. Reference rate for period Aug 31, 1996 to Sep 30, 1996, Schemes IV & V 5.849pc. Finance House Base Rate 6pc from Oct 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.94	93.91	-0.02	93.94	93.90	8609	95208
Mar	93.75	93.73	-0.02	93.77	93.70	19202	93284
Jun	93.44	93.41	-0.03	93.47	93.38	20617	90077
Sep	93.19	93.13	-0.04	93.19	93.10	11977	53428
Dec	92.97	92.91	-0.05	92.98	92.88	8922	43276

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9375	0.20	0.18	0.15	0.04	0.20	0.49
9400	0.04	0.07	0.08	0.19	0.34	0.67
9425	0.01	0.03	0.04	0.41	0.55	0.88

Est. vol. total, Calls 2026 Puts 1050. Previous day's open int., Calls 130879 Puts 148013

BASE LENDING RATES

	%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75
Allied Irish Bank (GB)	5.75	Duncan Lawrie	5.75
Allied Trust Bank	5.75	Exeter Bank Limited	6.75
AIB Bank	5.75	Financial & Gen Bank	7.00
•Henry Ansbacher	5.75	•Robert Fleming & Co	5.75
Bank of Baroda	5.75	Girobank	5.75
Banco Bilbao Vizcaya	5.75	•Guinness Mahon	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75
Bank of Ireland	5.75	•Hambros Bank	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75
Bank of Scotland	5.75	•Hill Samuel	5.75
Barclays Bank	5.75	C. Hoare & Co	5.75
Brit Bk of Mid East	5.75	Hongkong & Shanghai	5.75
•Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75
Citibank NA	5.75	•Leopold Joseph & Sons	5.75
Clydesdale Bank	5.75	Lloyds Bank	5.75
The Co-operative Bank	5.75	Meghraj Bank Ltd	5.75
Coutts & Co	5.75	Midland Bank	5.75
Credit Lyonnais	5.75	*Mount Credit Corp	6.00
NatWestminster	5.75	Scottish Widows Bank	5.75
•Rea Brothers	5.75	TSB	5.75
Royal Bk of Scotland	5.75	United Bank of Kuwait	5.75
•Singer & Friedlander	5.75	Unity Trust Bank Plc	5.75
•Smith & Williamson Secs	5.75	Western Trust	5.75
		Whiteaway Laidlaw	5.75
		Yorkshire Bank	5.75

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

China seeks to quell fears on grain needs

By Sophie Roell in Beijing

China yesterday said it could maintain basic self-sufficiency in grain, dismissing international fears that the country will be heavily dependent on imports next century to feed its growing population.

A policy paper sought to contradict warnings raised about China's grain needs – most notably by Mr Lester Brown, of the Worldwatch environmental research group. It said there was "no basis to the international clamour about a 'China threat' in food supply".

China's statistical bureau this week issued the most optimistic forecast yet for the 1996 grain harvest. It predicted "record" output of 480m tonnes – up 15m tonnes from 1995.

Estimating China's grain needs for the next century, the paper said demand would rise to 550m tonnes by 2010, and 640m tonnes by 2030. It said imports would be required to cover less than 5 per cent of the increased demand.

The paper cited a number of reasons why domestic output could be raised further – including low yields per hectare of arable land, and unnecessary losses before crops reached end-users.

In Beijing, diplomats were cautious about China's prospects of meeting its goal of self-sufficiency. But one observer said he was "encouraged" by the attention the government was now devoting to development of agriculture.

He said there had been a shift in resources to the agricultural sector and the policy paper says investment in agriculture will be stepped up further.

The European Union yesterday nearly doubled subsidies for wheat exports, to keep pace with falling world markets, Reuter reports from Paris.

Grain exporters said the EU had awarded wheat export subsidies of up to Ecu13 a tonne for 290,000 tonnes of wheat, reaching double figures for the first time this season and raising market competition another notch. The subsidy is higher than the Ecu12 a tonne of aid the EU offered for Africa's poorest states just a week ago.

China is also trying to channel more foreign funds into the sector. "The scale of foreign investment for agriculture should be expanded, and preferential treatment provided for such investment, especially in grain production," the paper said.

This year the government also raised the official procurement price for grains by 20 per cent.

Although this now affects only about 10 per cent of farmers' output, it was an important signal of the government's intention to boost incentives for farmers.

One analyst said the biggest contribution China could make to the world grain market was greater openness about its grain balance. He said he was disappointed that after being able to export 8m tonnes of corn in 1994, it had to import 5m tonnes in 1995.

China had been unwilling to give any indication of its 1996 needs to other producing countries. Western trade officials were told by Chinese authorities that the forecast demand for 1996 was a state secret.

Vietnam increases rice export quota

By Jeremy Grant in Ho Chi Minh City

Vietnam's trade ministry has raised this year's rice export quota from 2.5m tonnes to 3m tonnes, in an apparent attempt to increase revenues from agricultural exports and stem a ballooning trade deficit.

Traders said that the move was likely to depress already low Vietnamese rice prices.

"It's not a very buoyant market," said one foreign commodities analyst based in Ho Chi Minh City. "By telling everyone they've got more rice out there, they're just going to push the price down."

However, recent severe flooding in the Mekong delta, Vietnam's main producing area, was causing delivery delays and patchy price rises locally, traders said.

Five per cent broken rice was quoted at between $275 and $280 a tonne free on board at Saigon port, with 10 per cent grade around $10 a tonne lower. A week ago, 5 per cent broken was trading at about $270 a tonne.

Vietnam last year sold about 2m tonnes of rice abroad, making it the fourth-largest exporter in the world, after the US, India and Thailand.

Hanoi's move came as a Washington-based think-tank said the communist-ruled country could double exports if it liberalised its quota policy, which it said was strangling production and creating disincentives for farmers.

"They could export much more, but the current export and quota policy is really preventing them from doing so," said Mr Francesco Goletti, research fellow at the International Food Policy Research Institute.

Vietnam restricts access to exports through a licensing system to which about 15 state-owned companies have access. Private trading is therefore restricted.

The domestic price is lower than the international, a differential which state companies exploit, in effect imposing a tax on the industry.

Reform of rice export policy strikes at the heart of Vietnam's growth prospects, as agriculture is the backbone of its economy. It offers one of the best prospects for export growth, needed to plug a trade deficit that reached $2.25bn in the first nine months of the year.

Production boost: Asian rice fields

Better yields and economic [illegible] will boost rice production, [illegible] to the Asia rice conference in Singapore were told yesterday. *Susanne Voyle writes.*

● India's rice production may rise by 21 per cent in five to seven years, from the current 81m tonnes, according to a report from ITC's international business division.

"Scope exists for increasing India rice production to about 98m tonnes," it said.

Output could be raised by maximising yields through better hybrid seeds or more intensive irrigation, it added. Rising population and income levels will boost domestic demand by 3 per cent annually, and rice consumption in India may rise to between 90m and 95m tonnes in five to seven years and to 110m tonnes in 10 to 12 years.

● Thai rice production is projected to grow slowly to 21.01m tonnes in 2001, against 20.43m tonnes in 1997, two experts from Bangkok's Agriculture Department said. Hectarage planted to rice will drop to 9.26m hectares in 2001, compared with 9.33m hectares in 1997. But yield per hectare should rise to 2.27 tonnes from 2.19 tonnes in 1997.

"Thai farmers are in need of new rice varieties with multiple resistance, combined with high grain quality," the experts said in their report. They added that disease and insects were the main barriers to higher yields.

● Indonesia's Agriculture [illegible] [illegible] should be able to [illegible] self-sufficiency in rice, in spite of [illegible]. It will become a rice importer [illegible] 2000. Delegates were told that [illegible] progress and efficient farming [illegible] should help Jakarta stave off imports. The use of technology to enable farmers to use 1m hectares of acidic land in Central Kalimantan, and declining construction by increasingly prosperous Indonesians should help. "Efforts to optimise use of natural resources and advanced technologies will keep Indonesia self-sufficient in rice," a ministry official said.

More red faces over Kazakh gold deal

By Kenneth Gooding, Mining Correspondent

The Kazakhstan government's embarrassment about Vasilkovskoye, one of the world's biggest gold deposits, deepened yesterday after a senior official claimed that Teck Corporation and another Canadian company, First Dynasty, had for the second time been given the right to develop the project and had signed a preliminary agreement.

Mr Sarybai Kalmurzayev, chairman of the State Property Committee, also told the Reuter news agency that Teck had paid $7.5m damages and collateral of $5m. He said the estimated cost of developing Vasilkovskoye, which has reserves of 6.5m troy ounces, had risen from $85m to $92.5m.

However, in Vancouver, Mr John Taylor, Teck's chief financial officer, said that while his company had been negotiating for a second attempt at a Vasilkovskoye deal, it not yet heard from the government and was trying to obtain confirmation of the Reuter report. He insisted Teck had paid no additional money.

A consortium lead by Teck previously won a tender to develop Vasilkovskoya in June, but withdrew in August when the government could not provide guarantees on power costs. The Vasilkovskoye ore is difficult to process and milling it will require a great deal of power.

Vasilkovskoye has been dogged by controversy. The government upset the EBRD by cancelling a tender the bank was organising last year and handed the project to Placer Dome, another Canadian group. Placer Dome withdrew but is still waiting for the return of its $35m deposit.

North Sea oil continues recent slide

MARKETS REPORT

By Deborah Hargreaves and Kenneth Gooding

North Sea oil prices lost 20 cents yesterday, continuing their recent slide, but analysts are divided about whether the market has launched into a downtrend.

Brent crude for December delivery slipped to $23.85 a barrel, with December futures on West Texas Intermediate down 36 cents in midsession to $24.50 a barrel on the New York Mercantile Exchange.

Brent has now lost more than $1 a barrel since the beginning of the week. Mr Geoff Pyne of UBS in London believes traders are using the stronger stock figures for heating oil released this week in the US as a chance to take profits in oils.

"Nothing fundamental has changed in this market: there is still a desperate shortage of heating oil stocks," said Mr Pyne. He believes prices will waver at current levels or drift down unless there is a cold snap.

On the other hand, Mr Lindsay Horn of Lehman Brothers believes oil has broken out of the uptrend it has been in since the beginning of August. "It does look as if it's breaking down a bit, but I don't see a complete price collapse coming," he said.

On the London Metal Exchange, copper and aluminium prices continued to climb. Copper for three months delivery broke through the important $2,000 a tonne level in late trading *for the first time in seven weeks.* Three-month aluminium brushed aside technical resistance at $1,420 to reach $1,424, up $19 a tonne.

The Anthony Bird Associates consultancy said aluminium prices had over-reacted to the industry's short term over-supply and this would make worse medium and longer-term supply shortages that would threaten before long.

"These medium-term problems will force themselves on the market's attention by the end of 1997," Bird suggests in its latest Aluminium Analysis. "Accordingly, we see a rise in metal prices to about $3,351 in 1998, followed by a peak at $2,828 by 1999."

Liffe coffee futures prices slipped back following a wave of selling by hedge funds on the New York market. The market lost $39 a tonne to $1,385 a tonne.

Liffa March Cocoa futures broke out of their recent range to end on a seven-month low of £972 a tonne.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1391-92	1422-23
Previous	1371.5-72.5	1404-05
High/low	1381.5	1429/1401
AM Official	1381-81.5	1412-12.5
Kerb close		1422-23
Open int.	220,025	
Total daily turnover	76,952	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1257-62	1280-81
Previous	1243-48	1265-70
High/low		1280/1270
AM Official	1250-55	1272-73
Kerb close		1280-85
Open int.	5,773	
Total daily turnover	1,535	

■ LEAD ($ per tonne)

Close	730-31	737.5-38.0
Previous	728-9	737-8
High/low		742/733
AM Official	726-27	732-33
Kerb close		736-37
Open int.	40,891	
Total daily turnover	11,254	

■ NICKEL ($ per tonne)

Close	7110-20	7220-30
Previous	7070-80	7180-90
High/low	7080/7075	7240/7190
AM Official	7075-80	7180-85
Kerb close		7220-25
Open int.	43,890	
Total daily turnover	7,936	

■ TIN ($ per tonne)

Close	5850-60	6005-10
Previous	5945-50	6000-05
High/low	5930/5925	6010/5980
AM Official	5920-25	5980-85
Kerb close		5980-85
Open int.	15,933	
Total daily turnover	2,572	

■ ZINC, special high grade ($ per tonne)

Close	1001.5-02.5	1027-28
Previous	1000-01	1026-27
High/low	988.5	1032/1023
AM Official	998.5-99.0	1023.5-24.5
Kerb close		1027-28
Open int.	69,884	
Total daily turnover	13,892	

■ COPPER, grade A ($ per tonne)

Close	2028-29	1994-95
Previous	1996-2000	1968-68
High/low	1998/1997	1997/1989
AM Official	1998-99	1672-73
Kerb close		1892-93
Open int.	197,712	
Total daily turnover	72,888	

■ LME AM Official £/$ rate: 1.5898
LME Closing £/$ rate: 1.5910

Spot: 1.5922 3 mths: 1.5904 6 mths: 1.5886 9 mths: 1.5858

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	98.10	+2.20	99.10	96.50	593	2,047
Nov	95.55	+1.95	95.55	93.70	355	2,315
Dec	94.95	+2.00	95.00	92.50	8,064	22,334
Jan	93.65	+1.50	93.00	93.00	30	1,422
Feb	92.85	+1.80	92.60	92.00	22	965
Mar	92.05	+1.80	92.05	90.10	1,092	10,498
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.90-383.30		
Opening	383.90-384.30		
Morning fix	383.70	240.459	480.468
Afternoon fix	383.00	240.427	481.316
Day's High	383.90-384.30		
Day's Low	382.70-383.10		
Previous close	383.40-383.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.71 6 months 3.56
2 months ....3.66 12 months 3.61
3 months 3.57

Silver Fix	p/troy oz.	US cts equiv.
Spot	312.65	498.40
3 months	317.20	504.75
6 months	321.50	511.00
1 year	330.60	523.90

Gold Coins	$ price	£ equiv.
Krugerrand	381-384	239-41
Maple Leaf	388.10-390.55	
New Sovereign	89-92	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	383.1	-1.0	383.5	383.6	11	11
Dec	384.9	-1.0	385.9	384.5	10,936	98,592
Feb	387.1	-1.0	388.1	386.8	257	17,030
Apr	389.3	-1.0	389.7	388.7	76	10,593
Jun	391.7	-1.0	392.6	391.4	11	11,014
Aug	394.2	-1.0	-	-	10	4,349
Total					11,493	185,210

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	388.1	-2.1	-	-	3	14
Jan	389.8	-2.1	393.5	389.2	1,753	19,287
Apr	392.4	-2.1	394.5	392.5	32	7,728
Jul	395.4	-2.1	-	394.0	33	915
Oct	398.9	-2.1	-	-	-	27
Total					1,786	27,961

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	119.00	-1.00	120.00	118.00	339	7,598
Mar	120.10	-0.90	120.00	120.00	20	210
Jun	121.15	-0.90	-	-	-	115
Total					340	7,923

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Oct	489.3	-6.7	491.0	489.0	13	1
Dec	491.8	-7.0	500.0	488.0	6,596	63,138
Jan	493.8	-7.0	-	498.0	5	26
Mar	498.6	-7.0	505.5	496.5	204	12,883
May	503.4	-7.0	509.0	502.0	39	8,568
Jul	508.0	-7.0	508.0	507.0	43	5,031
Total					6,978	94,844

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	24.66	-0.20	24.90	24.37	44,906	100k
Jan	24.25	-0.20	24.55	24.00	16,161	53,527
Feb	23.83	-0.09	23.92	23.54	6,243	36,929
Mar	23.37	-0.02	23.40	23.08	2,412	20,546
Apr	22.80	-0.09	22.88	22.80	14,416	14,416
May	22.43	+0.03	22.43	22.22	637	10,658
Total					85,740	394,824

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	24.06	-0.01	24.07	23.65	18,467	74,379
Jan	23.47	+0.06	23.48	23.11	8,311	37,571
Feb	22.80	-0.04	22.80	22.55	3,180	22,892
Mar	22.26	+0.07	22.26	21.93	1,847	26,315
Apr	21.70	+0.14	21.70	21.38	1,469	9,431
May	20.92	-0.11	20.97	20.92	148	3,813
Total					36,160	189,755

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	70.95	-0.31	71.40	68.90	20,742	28,377
Dec	70.50	-0.38	71.35	69.05	20,277	35,726
Jan	70.65	+0.07	70.80	68.80	11,541	28,870
Feb	69.10	-0.08	69.50	67.50	5,116	14,068
Mar	66.75	+0.42	66.75	64.80	619	6,120
Apr	62.80	+0.22	62.80	61.95	305	5,040
Total					59,538	144,483

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	224.25	-1.50	224.50	219.50	14,281	27,540
Dec	219.50	-1.75	219.50	215.00	7,288	23,562
Jan	215.00	-1.50	215.00	211.00	2,777	18,578
Feb	209.25	-0.75	209.25	204.00	1,586	6,501
Mar	202.75	+0.50	202.75	196.25	2,650	5,292
Apr	194.00	-0.25	194.00	188.50	1,743	4,261
Total					29,730	97,347

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	2.485	-0.090	2.570	2.480	32,200	22,926
Dec	2.615	-0.061	2.685	2.585	10,886	34,538
Jan	2.620	-0.070	2.685	2.600	4,054	21,566
Feb	2.485	-0.068	2.553	2.475	1,549	12,180
Mar	2.330	-0.100	2.380	2.320	821	9,004
Apr	2.135	-0.075	2.190	2.130	397	5,142
Total					51,946	151,994

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	68.85	+0.68	69.60	67.45	10,226	19,825
Dec	66.75	+0.02	67.50	65.70	7,299	21,178
Jan	65.60	-0.02	65.90	64.75	2,582	11,329
Feb	65.05	-	65.30	64.40	829	4,045
Mar	65.30	+0.05	65.50	64.90	251	2,166
Apr	67.80	-	67.75	-	494	2,440
Total					21,731	63,227

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	98.35	+0.75	98.60	98.00	82	538
Jan	100.10	+0.60	100.50	99.95	118	2,307
Mar	101.20	+0.60	101.80	100.85	174	1,817
May	102.70	+0.60	103.25	102.50	88	1,394
Jul	104.00	+0.50	-	0	-	168
Nov	97.25	-	97.00	97.00	3	136
Total					462	6,384

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	384.00	-14.5	389.00	382.00	8,303	35,324
Mar	380.00	-11	391.00	379.00	2,682	15,747
May	365.25	-7.75	373.00	365.00	289	1,948
Jul	353.25	-4.75	358.50	353.00	797	9,998
Sep	356.50	-5.5	361.50	359.00	59	278
Dec	364.50	-1.5	366.00	366.00	10	165
Total					13,053	63,511

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	278.00	-4.75	283.00	277.75	36,864	143,451
Mar	282.25	-6	288.50	282.00	9,100	83,926
May	287.50	-6	293.25	287.00	5,327	39,216
Jul	289.00	-6.5	295.75	288.75	3,559	30,621
Sep	281.25	-4.75	285.50	280.50	156	3,288
Dec	278.75	-3.75	282.00	278.50	2,658	23,844
Total					57,863	325,578

■ BARLEY LIFFE (£ per tonne)

Nov	93.75	+0.25	94.00	94.00	48	549
Jan	95.50	+0.25	95.75	95.75	10	806
Mar	97.00	+0.25	97.50	97.00	17	198
May	98.50	+0.25	98.50	98.25	10	100
Sep	93.00	-	-	-	-	1
Total					75	1,670

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	698.50	-2	707.00	695.00	38,034	61,776
Jan	696.75	-3.75	708.75	696.00	17,661	49,389
Mar	700.50	-5	711.00	699.50	6,774	29,612
May	701.50	-6	712.00	700.00	1,711	15,792
Jul	702.25	-7	713.50	701.00	2,805	14,447
Aug	700.00	-6	710.50	698.00	63	1,439
Total					66,412	180,601

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	22.75	-0.16	23.00	22.72	683	113
Dec	23.28	-0.27	23.69	23.20	10,316	49,103
Jan	23.53	-0.26	23.93	23.50	4,322	17,021
Mar	23.95	-0.27	24.30	23.83	772	17,201
May	24.11	-0.27	24.50	24.10	363	9,433
Jul	24.35	-0.3	24.75	24.30	395	4,044
Total					18,249	100,296

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	231.0	+1.3	235.5	228.5	588	605
Dec	227.2	-1	230.7	227.0	11,615	44,168
Jan	223.4	-1.2	226.6	223.2	2,900	9,132
Mar	219.9	-1.7	223.5	219.7	3,073	17,252
May	217.9	-1.3	221.5	217.7	1,048	8,197
Jul	218.1	-1.1	221.0	218.0	964	5,138
Total					19,751	87,488

■ POTATOES LIFFE (£/tonne)

Nov	32.5	-	-	-	-	2
Mar	69.0	+1.3	-	-	-	-
Apr	71.0	+2.0	71.0	70.0	80	1,361
May	80.0	+2.0	-	-	-	17
Jun	90.0	+2.0	-	-	-	-
Total					80	1,380

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Oct	1270	-1	1300	1264	32	729
Nov	1340	-3	1375	1345	147	856
Dec	1325	-7	1350	1325	70	315
Jan	1325	-10	1345	1305	101	1,868
Apr	1320	-10	1350	1315	50	371
Jul	1155	-	1150	1150	-	[illegible]
Total					383	4,429

	Close	Prev
BFI	1236	1221

FUTURES DATA
All futures data supplied by CMS.

Wool
Prices at auctions this week developed with merinos a little dearer, crossbreds only steady, and no clear signs yet of a positive upward trend. The decline early in October ran its course within days, but was followed by cautiously developing strength rather than the sharp upturn which often follows signs of firmness in the wool market. The main market indicator managed a gain of only 2% by early this week. Further increases applied, but again nothing dramatic. The Eastern market indicator ended the selling week at 575 cents a kg, 11 cents more than last week's closing 564 cents. The Western market indicator reached 535 cents, compared with 525 a week before. New Zealand merino wool sold at firmer prices this week, but crossbreds there failed to register an increase.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	943	-18	958	942	1,220	28,347
Mar	972	-17	985	970	1,633	41,799
May	987	-15	998	987	1,178	17,540
Jul	1001	-15	1011	1001	227	11,772
Sep	1015	-16	1029	1018	713	4,477
Dec	1028	-18	1035	1033	50	4,398
Total					5,282	132,041

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1362	-21	1378	1382	2,510	28,741
Mar	1390	-18	1404	1389	1,368	23,430
May	1405	-16	1418	1405	146	9,108
Jul	1420	-20	1433	1420	115	6,468
Sep	1435	-19	1445	1435	100	5,790
Dec	1454	-16	1465	1465	15	797
Total					4,294	81,294

■ COCOA (ICCO) (SDR's/tonne)

Oct 23	Price	Prev. day
Daily	1035.51	1034.99

■ COFFEE LIFFE ($/tonne)

Nov	1510	-29	1537	1505	835	7,532
Jan	1384	-40	1416	1375	1,702	15,757
Mar	1339	-48	1359	1320	691	7,572
May	1306	-49	1338	1300	214	2,889
Jul	1308	-47	1335	1310	26	392
Sep	1308	-47	1335	1310	17	95
Total					3,481	34,468

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	117.45	-1.85	120.50	116.75	9,130	13,250
Mar	103.65	-1.45	105.50	103.25	4,938	9,169
May	102.10	-1.65	103.75	102.10	851	3,059
Jul	102.05	-1.85	103.50	102.00	147	827
Sep	102.00	-0.50	103.25	103.25	101	587
Dec	101.25	-2.90	101.25	101.25	15	328
Total					15,173	27,390

■ COFFEE (ICO) (US cents/pound)

Oct 23		Prev. day
Comp. daily	101.41	100.21
15 day average	98.73	98.31

■ WHITE SUGAR LIFFE ($/tonne)

Dec	316.7	+0.5	318.5	318.2	193	8,126
Mar	313.8	+0.3	315.0	313.5	72	11,782
May	313.9	+0.3	314.6	313.5	65	4,367
Aug	316.0	+0.1	317.0	316.0	55	1,758
Oct	309.5	+0.2	311.3	309.9	40	1,000
Dec	312.3	-0.1	314.0	314.0	-	284
Total					425	27,636

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	10.66	+0.01	10.75	10.61	4,719	85,363
May	10.70	-	10.80	10.67	725	28,961
Jul	10.62	+0.01	10.70	10.61	454	16,692
Oct	10.62	-	10.68	10.61	339	10,726
Mar	10.56	-	10.65	10.63	101	3,184
May	10.52	-	10.45	10.45	55	654
Total					6,348	146,027

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	72.20	-0.88	73.00	71.90	3,587	25,998
Mar	73.70	-0.83	74.50	73.50	1,162	12,509
May	74.71	-0.74	75.45	74.40	381	7,850
Jul	75.35	-0.70	76.00	75.20	980	6,315
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1,260
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,436
Total					[illegible]	58,822

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5,823
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7,447
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3,878
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	668
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	534
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	239
Total					[illegible]	18,663

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Oct 24	Oct 22	month ago	year ago
1884.5	1874.5	1899.7	2108.7

■ CRB Futures (Base: 1967 = 100)

Oct 23	Oct 22	month ago	year ago
244.96	244.96	[illegible]	[illegible]

■ GSCI Spot (Base: 1970 = 100)

Oct 23	Oct 22	month ago	year ago
210.70	213.23	200.02	180.65

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	73.000	+0.225	73.000	72.800	3,114	2,590
Dec	66.800	-0.15	66.175	65.700	8,249	39,872
Feb	63.075	-0.05	63.300	63.000	2,770	18,175
Apr	64.925	-0.15	65.175	64.675	905	11,768
Jun	62.900	-0.2	63.175	62.800	562	5,221
Aug	62.625	-0.2	62.850	62.600	302	5,761
Total					16,023	86,096

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	54.900	+0.225	56.300	53.725	589	414
Dec	52.025	-0.35	52.550	51.625	8,266	15,549
Feb	71.700	-0.68	72.350	71.150	3,164	7,821
Apr	68.225	-0.475	68.850	67.950	705	2,984
Jun	73.375	-0.025	73.750	72.650	481	3,043
Jul	71.250	-0.3	71.650	70.700	212	829
Total					13,541	31,892

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	68.100	+0.35	69.100	66.850	1,600	4,999
Mar	67.750	+0.25	68.800	65.800	216	506
May	69.400	+0.375	70.200	68.350	52	356
Jul	69.800	+0.45	70.500	68.400	20	138
Aug	68.175	+0.375	68.000	68.000	30	48
Total					1,888	6,047

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1350	40	94	13	36
1400	25	79	23	46
1450	14	66	38	57
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
1950	82	123	12	89
2000	57	99	27	114
2050	32	79	51	143
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1500	19	29	3	139
1550	1	16	35	182
1600	-	11	84	227
■ COCOA LIFFE	Dec	Mar	Dec	Mar
950	19	51	26	29
975	10	38	42	41
1000	5	29	62	56
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
2300	-	-	35	-
2350	-	-	-	-
2400	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$21.72-1.75x	-0.110
Brent Blend (dated)	$24.31-4.38	-0.320
Brent Blend (Dec)	$23.89-3.91	-0.275
W.T.I.	$24.65-4.68x	-0.225

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$239-241	-1
Gas Oil	$225-226	-5.5
Heavy Fuel Oil	$119-121	-4
Naphtha	$228-229	-2
Jet fuel	$253-255	-1
Diesel	$245-248	-7

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	13.40-3.60	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

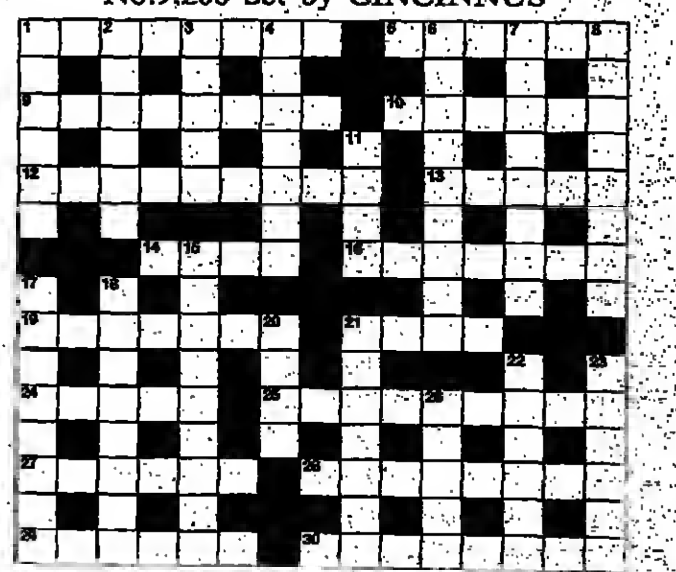
Gold (per troy oz)♣	$383.10	-0.50
Silver (per troy oz)♣	491.50c	-5.00
Platinum (per troy oz.)	$386.25	-1.00
Palladium (per troy oz.)	$117.50	-1.25
Copper	98.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.70r	+0.05
Tin (New York)	277.50	
Cattle (live weight)	97.76p	+1.19*
Sheep (live weight)	119.33p	+3.46*
Pigs (live weight)†	94.85p	-1.53*
Lon. day sugar (raw)	$270.80	+5.00
Lon. day sugar (wte)	$325.00	+0.40
Barley (Eng. feed)	103.50	
Maize (US No3 Yellow)	126.50	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	81.75p	+0.25
Rubber (Dec)♥	81.75p	+0.25
Rubber (KL RSS No1)	310.0z	
Coconut Oil (Phil)§	$730.0v	
Palm Oil (Malay.)§	527.5z	-2.5
Copra (Phil)§	$459.0v	
Soyabeans (US)	205.0	+4.0
Cotton Outlook'A' Index	75.25	-1.85
Wooltops (64s Super)	410p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec v Oct/Nov z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,443 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,208 Set by CINCINNUS



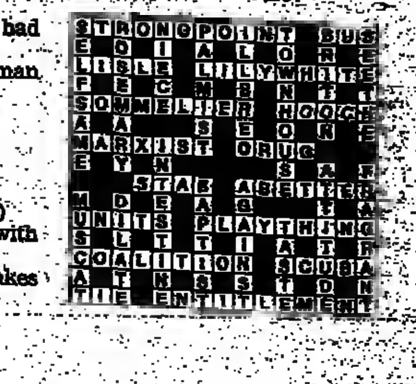
ACROSS

1 Fish isn't cooked by a poet . . . . (8)
5 . . . . a poet needs time for wine (6)
9 Better to have quietly wandered one mile ahead (8)
10 Risk duke's rage (6)
12 Everlasting variety for Peter and Paul (9)
13 City in Florida found thanks to new map (5)
14 Witnesses going back and forth (4)
16 The tipple of Appalachian tipplers? (7)
19 Six points held by a doctor or counsellor (7)
21 Unconstrained, getting about with iron constraint (4)
24 First three leaving London airport for a fling (5)
25 A top Zola novel about right for Gilbertian dukedom (5-4)
27 God transported in a bus (6)
28 Maiden confined by bad sort of youth? (8)
29 More benevolent German children (6)
30 In action some died (8)

DOWN

1 Spare devil in heaven (6)
2 Not wholly at home with constituent (2,4)
3 A garden ornament makes men go mad (5)
4 Ways of approaching a goddess without middlemen? (7)
9 Not at all the most sagacious in any case (9)
7 A ruler needs to be about one metre for some soldiers (8)
8 The beast that upsets a printer (8)
11 The name of a male character (4)
15 Former list where amendments are made (9)
17 Type of car with firm support (8)
18 Upset open vessel (8)
20 Rents for reprobates (4)
21 Father's nimble and delicate (7)
22 Powerful, being an officer and a gentleman (6)
23 Change of diet that is foul (6)
26 Confused, having left port behind? (2,3)

Solution 9,207



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

M & G (Guernsey) Ltd

Prudential Fund Managers (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Staines Fund Managers (Guernsey) Ltd

UBK Asset Management (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

LGT Asset Management Ltd - Contd.

[illegible]

AON International Funds Plc

Argenta European Hedge Fund plc

Asia Dynamic Growth Fund Plc

Asia Small Cos Growth Fund (u)

Asian Diversified Equity Fund Plc

[illegible]

Hambros Fund Managers (Ireland) Ltd

Hamon Ireland Ltd

Hansol Korea Venture Fund

Invesco Asset Management (Ireland) Ltd

[illegible]

Singer & Friedlander Closed Funds Plc

Societe Generale Group

Steller Fund Plc

Trainer Wortham & Company Inc

Ulster Bank Investment Services

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

Newton Fund Mgrs (CI) Ltd (1200)F

[illegible]

JERSEY (REGULATED)(**)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

CROSSWORD

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

Fidelity Funds - Contd.

Mercury Asset Management S.A. - Contd.

Aetna International Umbrella Fund - Contd.

Credis Investment Funds - Contd.

Merrill Lynch Asset Management - Contd.

Storebrand Scudder Environmental Value Fd

Svenska Securities

Swiss Bank Corporation

CMI Ins Co Ltd/Clerical Med Gen Life - Contd.

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Old Mutual International - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
$ Japan Stockmkt	$1.835	1.758	-0.023	-
$ Pacific Stockmkt	$5.338	5.740	+0.009	-
$ Emerging Japan Stockmkt	$2.252	2.421	+0.025	-
$ Hong Kong Stockmkt	$7.318	7.860	-0.081	-
$ Inc Fixed Interest	$3.811	4.066	+0.001	-
$ Intl Mngd Currency	$2.440	2.629	—	-
$ Dollar Money Mkt	$2.285	2.458	+0.001	-
$ Latin American Stockmkt	$0.953	1.025	+0.003	-
$ Dollar Special Mkt	$1.088	1.169	-0.002	-
$ Emerging Market Bond	$1.172	1.260	+0.005	-
$ Emerging Stockmarkets	$0.805	0.819	-0.001	-
G'teed Futures1 Sep '98		$1.756	+0.057	-
G'teed Futures2 Mar '99		$1.527	+0.044	-
G'teed Futures3 Sep '99		$1.761	+0.058	-
G'teed Futures4 Dec 2000		$1.000	+0.056	-
G'teed Futures5 Dec 2001		$0.765	+0.003	-
Guaranteed 105 Futures Bond		$1.148	+0.014	-
Swiss Franc Managed	SFr6.874	7.392	+0.070	-
Swiss Franc Money Mkt	SFr1.296	1.393	—	-
Convertible	SFr1.018	1.095	+0.003	-
DEM Deutschemark Mgd	DM2.626	2.828	-0.023	-
$ Secure Stockmkt Index	$0.941	1.013	—	-
£ Secure Stockmkt Index	0.941	1.013	—	-
Broker Managed Funds				
£ OFS Global Port	£1.384	1.499	-0.004	-
£ YBA Worldwide	$1.385	1.488	-0.004	-
$ YBA Dlr Worldwide	$1.519	1.633	+0.004	-
Young & Co Direct P'folio	$1.274	1.370	+0.003	-
Pioneer Mid Term Agg	$1.141	1.227	-0.002	-
Pioneer Long Term Cons	$1.114	1.198	+0.004	-
Pioneer Long Term Agg	$0.893	0.960	-0.018	-
HFP Selective Mgd	$1.110	1.202	-0.006	-
[illegible]	$0.846	0.910	-0.003	-
[illegible]	DM0.933	1.003	-0.001	-

PanEuroLife societe anonyme

30 Av Marie-Therese, Luxembourg 00 352 456730

	Selling Price	Buying Price	+ or -	Yield Gross
French Balanced Oct 23	FFr6949.21		+2.18	-
German/Benelux Oct 23	DM3158.91		+4.83	-
Global Equities Oct 23	$1373.34		-8.86	-
UK Secure Gth Oct 23	£738.09		-0.92	-
US Secure Growth Oct 23	$1171.41		+1.98	-
Intl Real Estate Oct 23	Ecu1469.62		-23.68	-
Fund of Funds Oct 23	Ecu1232.24		-8.70	-

Premier Life

1 Rue Emile Bian, Luxembourg Tlx 2808 Tel 4050751

Alnista Capital Management Ltd

Alnista Growth Fund and Unit Trust

	Selling Price	Buying Price	+ or -	Yield Gross
Class A	$97.05	100.05	—	-
Class B	$97.06	100.05	—	-

Alpha Fund Management Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Alpha Europe Sep 30	Ecu284.86		—	-
Alpha Futures Sep 30	$238.21		—	-
Alpha Global Sep 30	$996.15		—	-
Alpha Atlas Sep 30	$103.89		—	-
Alpha Atlas Fd Ltd NYC Cl	$148.29		—	-
Alpha Atlas Yato Class Aug 31	$113.75		—	-
Alpha Hedge Class A Aug 31	$635.50		—	-
Alpha Hedge Class B Aug 31	$134.24		—	-
Alpha Hedge Class C Aug 31	$136.70		—	-
Alpha Latin Am Aug 31	$307.46		—	-
Alpha Pacific Sep 30	$337.58		—	-
Alpha Short Aug 31	$50.68		—	-
Alpha Thibaia Sep 30	$220.58		—	-
A Worthington Sep 30	$109.66		—	-
[illegible]	$96.07		—	-
[illegible]	$110.36		—	-
[illegible]	$103.58		—	-
[illegible]	Ecu184.41		—	-
[illegible]	$111.87		—	-
[illegible]			—	-
[illegible]	$78.29		—	-
[illegible]	$178.59		—	-
[illegible]	$133.16		—	-
[illegible]	$111.09		—	-
[illegible]	$127.40		—	-
[illegible]	$92.40		—	-
[illegible]	$94.70		—	-
[illegible]	$137.43		—	-
[illegible]	$119.46		—	-
[illegible]	$123.52		—	-
[illegible]	$117.06		—	-
India Performance Sep 30	$98.25		—	-

Aravis Capital Advisers LLC

	Selling Price	Buying Price	+ or -	Yield Gross
Aravis Clipper Ltd	$112.49		—	-

Arc Investment Company Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Rainbow	$614.49		—	-
Rainbow	SFr918.82		—	-

For Ardent [illegible] see [illegible]

[illegible]

Global Asset Management - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
GAM Managed Portfolio				
Managed Portfolio	$1127.02		—	-
Swiss Registered Funds				
GAM (CH) Europe	SFr112.50		—	-
GAM (CH) Mondial	SFr183.26		—	-
GAM (CH) Pacific	SFr203.95		—	-
SEC Registered Funds				
GAMerica Capital	$12.13		-0.10	-
GAM Asian Capital	$9.33		-0.01	-
GAM Europe	$11.38		-0.51	-
GAM Global A	$13.99		+0.14	-
GAM Global D	$13.70		-0.13	-
GAM International A	$21.34		-0.21	-

Jardine Fleming Unit Trusts Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
JF Capital Guaranteed Master Series				
Hong Kong Index Sub Fund	$10.40		+0.03	-
Tokyo Index Sub Fund	$9.64		-0.02	-
New York Index Sub Fund	$8.83		+0.02	-
DEM Bull Sub Fund	$9.15		—	-
DEM Bear Sub Fund	$9.90		-0.01	-
Yen Bull Sub Fund	$8.81		—	-
Yen Bear Sub Fund	$10.40		-0.02	-
USD Account	$104.54	110.00	+0.51	5.02
Limited Issue Funds				
JF Far Eastern Wrnts Tst	$7.10	7.52	+0.01	-
JF Guaranteed Currency Tst $	$10.08		-0.03	-
$ Japan Capital Guaranteed Tst	$12.25		-0.01	-
$ Japan Capital Guaranteed Tst	£14.93		-0.03	-
[illegible]	$14.20		-0.03	-

OTHER OFFSHORE FUNDS

[illegible]

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

PAPER , PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS - Cont.

TEXTILES & APPAREL

TOBACCO

TRANSPORT

AIM - Cont.

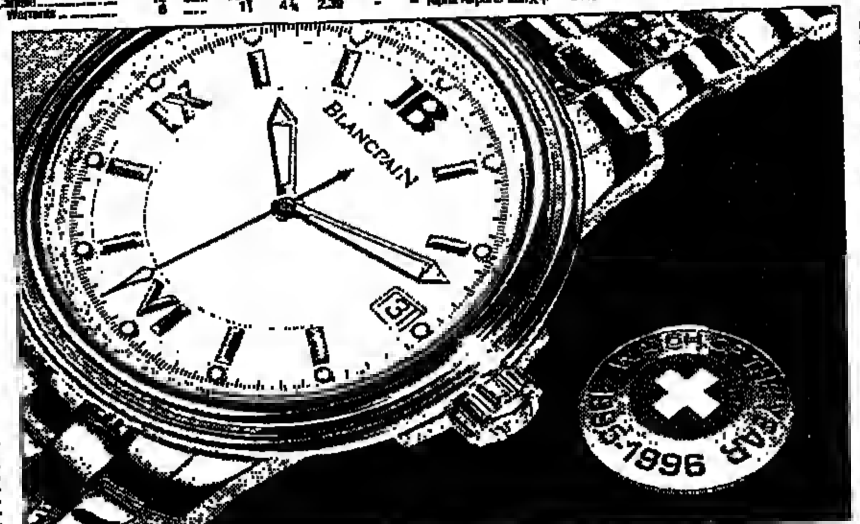
AMERICANS

CANADIANS

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

OIL EXPLORATION & PRODUCTION



WATER

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

PAPER , PACKAGING & PRINTING

TELECOMMUNICATIONS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt CapÂ£m	Yld Gr's	P/E
Anglo Am Ind		£21½xd		*£34½	£21½	1,724	3.5	♦
Barlow		58		£10¾	£5⅝	1,208	2.1	-
Gold Flds Prop R		127½	+2	170	120	13.1	6.4	16.4
NK Props		62		98	60	2.49	14.1	-
SASOL		645		710	475	3,777	1.7	-
SA Brews		£16⅞		£26½	£16⅛	4,941	2.0	♦
Standard Bank		£24⅞		£32½	£22½	2,972	1.5	22.1
Tiger Oats		780		1270	770	1,188	2.0	18.9
Tongaat-Hulett		769½xd	+2½	1247	736	726.7	2.3	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
4 Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as 4

FID (Foreign Income Dividend)
B Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion.

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Footsie slips below 4,000 on gilts weakness

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

UK stocks fell sharply for the third successive session yesterday, with the FTSE 100 index sliding below 4,000. London was hit by a sharp reversal in gilts and by the continuing weakness on Wall Street.

Gilts came off on widespread profit-taking and also in the wake of a ruling in the European Court against the UK government regarding the refunding of excess value added tax on discounted goods. An unsubstantiated story that Goldman Sachs, the US investment bank, had taken the whole of the auctioned stock was also circulating in the market and was said to have caused widespread unease.

Earlier, the gilts market had risen strongly in the wake of a successful outcome to the latest auction of £1.5bn-worth of 8 per cent stock dated 2015. The auction, the second this week, was covered 2.66 times.

Tuesday's gilts sale, £2bn-worth of 7 per cent stock, dated 2001, was covered an even more impressive 3.57 times.

The FTSE 100 index fell a further 29.0 to 3,999.4, the first time it has dropped below 4,000 since October 10 and extending its decline over the past three days to 73.7 or 1.8 per cent. Although never as weak as the leaders, the second-line issues also gave ground, with the FTSE 250 slipping 6.6 to 4,424.5 and the SmallCap 2.4 to 2,181.6.

Dealers were again unnerved by Wall Street's erratic behaviour, which saw the Dow Jones Industrial Average drop almost 70 points on Wednesday evening, before rallying to close only 26 points off. Shortly after the start of trading yesterday, the Dow was almost 40 points lower, despite higher than expected weekly jobless claims.

One senior marketmaker said sentiment in London "has been blown for the moment. Just as any setback during the recent upsurge was shrugged aside, now it seems any rallies are quickly being drowned". He also pointed to the modest but persistent selling of US Treasury bonds during recent sessions.

However, Footsie's weakness masked plenty of individual winners.

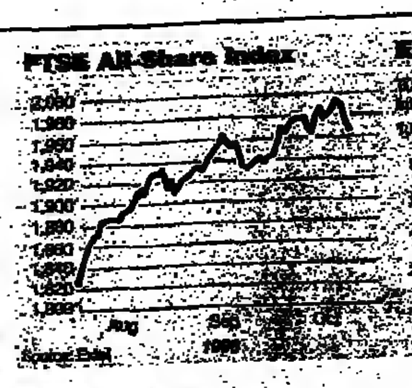
ICI was the best performer in the FTSE 100 index, with the market showing its relief that the company's third-quarter numbers were no worse than expected and were in fact accompanied by a relatively optimistic statement.

There was similar relief for BAA, another big outperformer, as the regulator of its business, the Civil Aviation Authority, detailed its final proposals on charges for the next five years at Heathrow, Gatwick and Stansted airports.

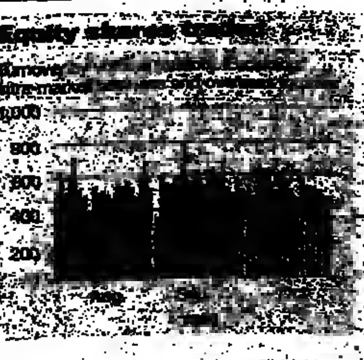
On the downside, BSkyB took another hammering. The shares followed Wednesday's 5 per cent slide with a similar retreat, after News Corp confirmed proposals to issue convertible preference shares against its holding in the UK satellite group, whose stock had been hitting records in the previous few weeks.

BSkyB's dismal performance was almost matched by Pearson, where the recent bid speculation continued to wane.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	3999.4	-29.0	FT 30	2819.5	-11.8
FTSE 250	4424.5	-6.6	FTSE Non-Fins p/e	18.11	18.22
FTSE 350	1990.9	-11.9	FTSE100 Fut Dec	4025.0	-21.0
FTSE All-Share	1965.25	-11.09	10 yr Gilt yield	7.61	7.55
FTSE All-Share yield	3.78	3.76	Long gilt/equity yld ratio	2.11	2.11

Best performing sectors		Worst performing sectors	
1 Gas Distribution	+1.5	1 Oil, Integrated	-2.0
2 Chemicals	+0.6	2 Media	-1.8
3 Transport	+0.3	3 Mineral Extraction	-1.7
4 Electricity	+0.2	4 Oil Exploration	-1.5
5 Electronic & Elec	+0.2	5 Alcoholic Beverages	-1.0

Sainsbury on the war path

By Lisa Wood, Steve Thompson and Joel Kibazo

J Sainsbury hardened to 350p and a number of its competitors weakened on strong rumours that the retailer was about to launch a new price campaign.

Analysts said the retailer was going to offer more points on its Reward card for selected lines. At present, customers get one point for every pound spent after a minimum expenditure of £5. On reaching 250 points, a customer either gets a £2.50 voucher or a range of other offers.

Analysts said if Sainsbury had offered the extra points on all its lines, the competitive threat to other retailers would have been significant. They added that the campaign would provoke a "tremor" among food retailers rather than an earthquake, but they praised Sainsbury, which has been hit by a number of downgrades, for fighting back.

Tesco, which launched a price initiative recently, taking market share from Sainsbury, fell 7 to 321¼p. Safeway gave up 6 to 362½p on hefty turnover of 7.5m shares, and Asda softened to 115¼p. Turnover in Asda reached 13m shares.

UK airports group BAA soared as the market appreciated confirmation from the Civil Aviation Authority of the pricing regime for the group over the next five years.

The news that the pricing formula is to be inflation less 3 per cent sent dealers scrambling for stock and by the close of the session the shares showed a gain of 14½ to 519½p having traded a hefty 7.8m.

One trader said: "It is pure relief, we can now get on with the business of assessing things properly."

Brokers moved to reiterate their positive stance on the shares. The list included UBS which rates the stock a "buy". In a note to clients, the broker said: "This agreement on the regulation for the next five years effectively lifts the regulatory clouds from our forecasts."

Oil shares were among the worst performers in the FTSE 100, hit primarily by a shift of stance by SBC Warburg, one of the leading UK brokers, but also by a retreat in crude oil prices. Oil sector analysts at the broker moved from "neutral" to "underweight" in the integrated stocks and from "overweight" to "underweight" in the exploration and production issues.

BP bore the brunt of the selling pressure in the majors, the shares dropping 18, or almost 3 per cent, to 670p after heavy volume of 10m.

Shell Transport, meanwhile, held up well during the morning, but finally succumbed to the US pressure late in the day, closing 16 off at 1041p. Turnover in Shell was a good 4.4m shares. In the E & P's, Enterprise Oil gave up 11 to 558½p and Lasmo 5 to 214p.

The takeover buzz in the regional electricity stocks refused to die down and was put forward as the reason behind the latest upsurge in East Midlands Electricity which shot up a further 19 to 518p. The shares have risen 34, or 7 per cent, in less than a week, amid hints that a predator could be circling the company.

International chemicals group ICI recorded one of its best days in recent sessions on relief in the market that the group's third-quarter figures had not been worse.

The company reported profits of £131m, at the bottom end of the market's forecasts, but ahead of the most pessimistic forecasts. The market also responded to an *encouraging statement* along with the numbers.

The shares jumped 17 to 782½p, in spite of several brokers reducing full-year profit expectations. The list of brokers downgrading includes Kleinwort Benson which reduced its estimate by £20m to £650m. Mr Jeremy Chantry at the broker said: "These are disappointing figures, but there is an element of relief they were not worse."

Bass fell 11½ to 768p on continuing worries over its proposed acquisition of Carlsberg-Tetley being referred to the Monopolies and Mergers Commission, although Allied Domecq, which is selling the majority of its stake in Carlsberg-Tetley to Bass, strengthened 2¼ to 461½p. One analyst suggested that there might be some switching from Guinness, which fell 10 to 446p.

My Kinda Town rose 16 to 163½p. Analysts said there had been rumours of it signing some development deals.

Analysts were largely unmoved by the news of the ruling by the European Court of Justice concerning VAT on discount promotions. One of the cases had been brought by Argos, which initially went up on reports that it had won its case but fell 5 to 782½p. The effect of the issue on the profits of Unilever, which also won its case, was seen as negligible. the shares fell 12¼ to 1312p, on fading hopes over reorganisation.

Support services group Rentokil Initial came under pressure after NatWest Securities downgraded its recommendation on the stock.

The shares fell 12 to 421p, after trade of 5.8m. The securities house moved its recommendation from "hold" to "reduce" believing the shares to now be "overvalued".

BSkyB was again the biggest casualty in the FTSE 100, falling 39½ to 596½p on trading of 14m and the equivalent of 2.9m shares in the options *market*, after News Corp, which owns 40 per cent of BSkyB, confirmed it is to raise at least $1bn through an issue of preference shares.

One analyst said that the market was worried if Mr Rupert Murdoch felt the shares were fairly valued. By effectively mortgaging some of his stake in BSkyB, Mr Murdoch was suggesting he could get a better return elsewhere.

Emap fell 32 to 712½p after reports of conflicts over corporate governance and allegations of tensions between Mr Robin Miller, the company's chief executive and Mr David Arculus, the group managing director.

Reuters softened 5½ to 772½p ahead of its third-quarter figures while Pearson fell 19 to 711½p as speculation about a possible bidder evaporated.

EMI Group fell 29 to 1227½p *as analysts* continued to evaluate the potential implications of PolyGram, its Dutch competitor, warning of flat profits this year.

Shares in Fieldens, the AIM-quoted farm tyre and wheel supplier, fell 5 to 75p after the company spoke of "*difficult trading conditions*" at its annual general meeting and said that margins were under great pressure.

The announcement of a mid-week National Lottery draw worked its way through the market. Rank, with substantial bingo interests, fell 8 to 426p.

FT 30 INDEX

	Oct 24	Oct 23	Oct 22	Oct 21	Oct 18	Yr ago	*High	*Low
FT 30	2819.5	2831.3	2856.8	2870.1	2865.2	2571.3	2885.2	2668.8
Ord. div. yield	4.03	4.01	3.97	3.96	3.98	4.13	4.22	3.78
P/E ratio net	17.13	17.19	17.37	17.46	17.41	15.57	17.46	15.80
P/E ratio nil	16.97	17.03	17.21	17.30	17.24	15.38	17.30	15.71

FT 30 since compilation: high 2885.2 18/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2831.8	2836.5	2833.4	2842.3	2835.8	2830.3	2826.7	2828.0	2822.2	2842.8	2818.3

	Oct 24	Oct 23	Oct 22	Oct 21	Oct 18	Yr ago
SEAQ bargains	33,698	35,494	38,234	41,615	38,107	24,513
Equity turnover (£m)†	-	1630.2	1314.0	1318.8	1629.5	1547.2
Equity bargains†	-	29,223	31,444	34,038	33,537	29,523
Shares traded (m)†	-	506.8	488.8	453.6	515.5	845.3

†Excluding intra-market business and overseas turnover.

	Oct 24	Oct 23	Oct 22	Oct 21	Oct 18	Yr ago	*High	*Low
FTSE AIM	1011.90	1009.40	1008.50	1011.70	1010.10	-	1140.40	965.70

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■ **London market data**

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	524	Total Highs	67	Total contracts	40,907
Total Falls	619	Total Lows	65	Calls	13,157
Same	1,477			Puts	27,750

Oct 24 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4048.0	4025.0	-21.0	4058.0	4018.0	12715	62399
Mar	4049.0	4039.0	-22.0	4049.0	4047.0	300	485
Jun		4054.0	-21.0				326

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		4457.0	-5.0			0	3671

■ FTSE 100 INDEX OPTION (LIFFE) (*4003) £10 per full index point

	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P	4200 C	4200 P
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	237	51	198	62	160½	76½	133½	95½	106	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†			280½	118			199½	155½								

Calls 4,915 Puts 14,241

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P
Nov	191	6	145	9½	102½	18½	64½	28½	35	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	218½	20½	178½	28	137½	38½	102½	53	73	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	249	31	199	48	161	52	127	68	97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	288	59½			197	85½			135½	[illegible]			[illegible]	[illegible]		
Jun†	315	95			248½	124½			188½	[illegible]			[illegible]	[illegible]		

Calls 742 Puts 6,248 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§	F.P.	34.2	85½	66	†Airtech	75		-	-	-	-
§135	F.P.	47.1	162½	152½	Charles Taylor	161½		L4.2	0.3	3.3	51.3
150	F.P.	29.5	169½	160½	Dalkron Electn	160½		W2.75	2.9	2.1	15.2
§145	F.P.	36.7	246	148	†Elec Retail Sys	174½		-	-	-	-
§	F.P.	11.8	318	310	†Eurasia Mining	312½		-	-	-	-
§80	F.P.	24.9	92½	90½	†Fitness First	90½		bW-	-	-	28.3
100	F.P.	103.5	113½	103½	†Geo Inter Med	103½	-1	-	-	-	-
§	F.P.	-	127	111½	Harstone 8%	121		-	-	-	-
§100	F.P.	24.9	99½	99	Hithcare Reform	99½		-	-	-	-
*	F.P.	1,967	429	376½	*Imperial Tobacco*	378½	-8	N20.0	2.5	8.6	7.5
§	F.P.	55.2	177	165½	Interoute Telecom	166½		-	-	-	-
§285	F.P.	138.8	310	286½	John D Sports	298½	-7	L4.3	2.5	1.8	28.1
§140	F.P.	33.1	160½	145½	Lavendon	155½		R3.4	3.8	2.7	12.1
72	F.P.	27.6	79½	73½	†Lotus Road	74½		-	-	-	-
*	F.P.	43.1	131½	128	Lomond Undrwrtng	130½		-	-	-	-
§10	F.P.	4.32	12¼	11¼	†Mears Group	12		K0.2	-	2.1	-
-	F.P.	1,046	£16½	£14	Millennium Chem.	£14⅞	+⅛	Q60c	-	2.7	-
§154	F.P.	19.6	211½	187½	Oriental Rest	205½	-1	-	-	-	23.2
65	F.P.	12.6	105	81½	†Personal No Co	81½	-1	-	-	-	-
§65	F.P.	11.9	70½	67½	†Polydoc	69½		-	-	-	-
-	F.P.	6.70	139½	132½	Smallbone	139½		R4.0	2.1	3.6	11.4
170	F.P.	1,024	177	168	Thistle Hotels	170	-½	R3.7	2.5	2.7	18.3
§250	F.P.	195.0	302	282½	Ultra Elctn	300	+1	RW6.5	2.3	2.7	20.3
§	F.P.	106.1	62	52	†Victory Corp	56	-1	-	-	-	-
§	F.P.	9.54	7¾	6¾	†Weeks Group	7¾		0.09	4.8	1.6	16.7

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 23	% chg on day	Oct 22	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1930.46	+0.8	1915.26	1788.00	1.59	-	2530.73	1722.88
■ Regional Indices								
Africa (13)	2502.20	+1.3	2470.51	2465.51	3.18	35.58	3563.86	2272.74
Australasia (6)	2218.00	+0.2	2213.53	2192.48	2.52	21.56	2927.34	2005.75
North America (12)	1731.37	+0.7	1719.36	1536.25	0.74	64.83	2186.30	1480.96

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 24	Day's chge%	Oct 23	Oct 22	Oct 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3999.4	-0.7	4028.4	4057.2	4073.1	3519.6	3.82	2.04	15.64	152.31	1664.21
FTSE 250	4424.5	-0.1	4431.1	4452.7	4449.4	3665.3	3.52	1.60	23.70	157.40	1808.50
FTSE 250 ex IT	4443.3	-0.1	4449.7	4469.4	4453.3	3687.3	3.62	1.52	22.89	165.65	1822.59
FTSE 350	1990.9	-0.6	2002.8	2016.2	2022.1	1751.3	3.83	1.93	16.87	74.79	1692.49
FTSE 350 Higher Yield	1884.5	-0.4	1891.7	1901.1	1911.0	1747.3	5.17	1.82	13.32	98.64	1350.45
FTSE 350 Lower Yield	2104.3	-0.8	2121.7	2136.4	2140.4	1756.2	2.65	2.13	22.09	48.49	1471.58
FTSE SmallCap	2181.62	-0.1	2184.01	2191.09	2193.32	1949.81	3.12	1.58	23.36	58.60	1813.30
FTSE SmallCap ex IT	2180.95	-0.1	2183.10	2189.81	2191.87	1938.72	3.33	1.65	22.61	63.18	1825.86
FTSE All-Share	1965.25	-0.6	1976.34	1988.00	1994.54	1730.57	3.78	1.91	17.31	72.31	1698.06

■ **FTSE Actuaries Industry Sectors**

	Oct 24	Day's chge%	Oct 23	Oct 22	Oct 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3911.24	-1.7	3979.74	3974.39	3985.34	2864.02	3.58	1.93	21.81	128.05	1707.50
12 Extractive Industries(6)	4175.73	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
15 Oil, Integrated(3)	4053.23	-2.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
18 Oil Exploration & Prod(15)	2909.23	-1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
20 GEN INDUSTRIALS(276)	2062.22	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 Building & Construction(34)	1211.49	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Building Matls & Merchs(29)	1983.41	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
23 Chemicals(25)	2438.51	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
24 Diversified Industrials(16)	1470.38	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Electronic & Elect Equip(37)	2323.54	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(71)	2680.21	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(14)	3258.18	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(28)	2600.60	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(19)	1183.53	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS(92)	3735.05	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(6)	2768.42	-1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(26)	2578.44	-0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(15)	2768.27	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care(18)	2012.70	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(14)	5665.96	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(2)	3802.22	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(264)	2609.61	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(30)	2878.41	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(25)	3194.38	-1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(46)	4402.86	-1.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(15)	1987.54	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(45)	2174.44	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Breweries, Pubs & Rest.(21)	3100.38	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(50)	2609.02	-0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(23)	2583.53	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(36)	2255.03	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(12)	2313.89	+0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	1266.59	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(6)	1842.96	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(11)	2094.56	-0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(688)	2067.50	-0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(103)	3296.18	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	4752.40	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
72 Banks, Merchant(6)	3706.63	-0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(21)	1544.11	+0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(7)	3823.72	-0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(20)	2876.81	-0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(41)	1593.90	-0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(127)	3177.53	-0.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FTSE All-Share(893)	1965.25	-0.6	1976.34	1988.00	1994.54	1730.57	3.78	1.91	17.31	72.31	1698.06
FTSE Fledgling	1235.46	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex IT	1247.47	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4027.3	4032.2	4023.8	4034.0	4026.0	4017.7	4013.4	4016.5	4003.1	4035.7	3999.4
FTSE 250	4430.5	4430.4	4430.7	4433.8	4431.4	4430.6	4430.2	4430.6	4425.1	4433.9	4424.5
FTSE 350	2002.4	2004.3	2001.0	2005.3	2001.6	1998.6	1996.9	1998.2	1992.5	2005.9	1990.9

Time of FTSE 100 Day's high: 10.55 AM Day's low: 4.00 PM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96)

■ ***FTSE 350* Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1189.3	1189.8	1189.9	1189.9	1189.9	1189.9	1189.5	1188.1	1188.6	1188.6	1189.7	-2.1
Pharmaceuticals	5844.1	5840.5	5828.6	5844.0	5831.1	5825.6	5815.7	5824.4	5797.8	5795.1	5843.0	-47.9
Water	2088.4	2089.9	2090.6	2088.6	2086.0	2081.8	2079.5	2078.2	2078.4	2076.5	2090.0	-11.5
Banks, Retail	4835.8	4848.0	4841.2	4848.1	4837.1	4834.7	4833.1	4833.1	4817.2	4813.1	4817.0	-3.9

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1996. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. NAME CHANGE: Clydeport Operations is now Clydeport (FTSE Fledgling). DELETION: Tom Cobleigh (FTSE SmallCap & 47).

FTSE INTERNATIONAL

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 24 / Sch)

BELGIUM/LUXEMBOURG (Oct 24 / Frs.)

CZECH REP (Oct 24 / Koruna)

DENMARK (Oct 24 / Kr)

FINLAND (Oct 24 / Mkk)

FRANCE (Oct 24 / Frs.)

GERMANY (Oct 24 / Dm.)

IRELAND (Oct 24 / Ir£)

ITALY (Oct 24 / Lira)

NETHERLANDS (Oct 24 / Fls.)

NORWAY (Oct 24 / Kroner)

POLAND (Oct 24 / Zloty)

PORTUGAL (Oct 24 / Escudo)

SPAIN (Oct 24 / Pts.)

SWEDEN (Oct 24 / Kronor)

SWITZERLAND (Oct 24 / Frs.)

TURKEY (Oct 24 / TL Lira)

PACIFIC

JAPAN (Oct 24 / Yen)

HONG KONG (Oct 24 / H.K.$)

INDONESIA (Oct 24 / Rupiah)

MALAYSIA (Oct 24 / MYR)

NEW ZEALAND (Oct 24 / NZ $)

SINGAPORE (Oct 24 / S$)

AUSTRALIA (Oct 24 / Aus$)

SOUTH KOREA (Oct 24 / Won)

TAIWAN (Oct 24 / TW $)

THAILAND (Oct 24 / Baht)

AFRICA

SOUTH AFRICA (Oct 24 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 24 / Can $)

4 pm close

MONTREAL (Oct 24 / Can $)

4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ≠ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

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INDICES

Greece					
Athens SE(31/12/80)	915.49	920.34	918.45	1017.98 4/3	872.99 7/8
Hong Kong					
Hang Seng(31/7/64)	12473.56	12492.37	12444.68	12610.05 18/10	10204.87 2/1
India					
BSE Sens.(1979)	3250.94	3341.86	3227.13	4069.26 18/6	2926.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	575.88	575.40	571.86	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2686.02	2672.33	2691.28	2700.04 4/10	2234.81 2/1
Italy					
Banca Comm Ital(1972)	619.51	622.96	627.84	674.10 20/5	572.21 27/3
MIB General(2/1/96)	1066.0	1056.0	1066.0	1142.00 20/5	970.00 27/3
Japan					
Nikkei 225(16/5/49)	21003.49	21062.13	21123.86	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	294.56	295.48	296.73	318.70 26/6	284.46 11/3

Swiss Bk Ind(31/12/58)	1785.21	1780.34	1794.80	1803.19 15/10	1416.39 17/1
SBC General(1/4/87)	1267.03	1264.00	1274.36	1285.94 15/10	114.47 26/1
Taiwan					
Weighted Pr.**(30/6/66)	6458.91	6437.05	6426.30	6644.68 8/10	4698.22 6/2
Thailand					
Bangkok SET(30/4/75)	944.51	(c)	958.05	1416.04 6/2	905.34 15/10
Turkey					
Istanbul Comp.(Jan 1986)	83346.0	83772.3	81504.4	83772.30 23/10	38779.30 2/1
WORLD					
MS Capital Intl(1/1/70)	793.9*	796.3	798.4	801.70 21/10	725.80 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1772.46	1777.80	1788.23	1789.46 21/10	1504.40 11/1
Euro Top-100(26/6/90)	1492.74	1497.79	1509.75	1509.85 18/10	1333.01 11/1
HSBC JC Drgn(31/12/88)	(u)	392.14	391.00	392.56 18/10	344.16 2/1
ING Brngs Emrg(7/1/92)	159.34	159.76	160.52	165.91 4/7	147.36 2/1

US INDICES

Financial	75.54	75.26	76.00	76.00 (21/10)	58.67 (10/1)	76.00 (21/10/96)	7.13 (4/9/74)
NYSE Comp.	375.91	376.22	377.92	378.32 (18/10)	321.41 (10/1)	378.32 (18/10/96)	4.64 (25/4/42)
Amex Mkt Val	570.75	573.29	576.87	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1227.88	1210.99	1236.41	1258.10 (15/10)	988.57 (15/1)	1258.10 (15/10/96)	54.87 (3/10/74)

■ RATIOS

	Oct 18	Oct 11	Oct 4	Year ago
Dow Jones Ind. Div. Yield	2.12	2.18	2.15	2.42
	Oct 23	Oct 16	Oct 9	Year ago
S & P Ind. Div. yield	1.92	1.92	1.95	2.08
S & P Ind. P/E ratio	23.15	23.13†	22.84	17.95

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Elect Data	12,435,900	48	-11½
AT & T	8,976,000	37⅜	-2
Conrail	7,145,300	95⅝	+11⅛
Bay Ntwork	4,852,000	20	+⅛
Digital Eq	4,354,600	31¼	+2¼
Micron Tch	4,313,500	30¼	+¾
Utd Auto	3,996,400	34⅞	+4⅞
Gen Instr	3,939,200	19⅝	-1⅜
Chilgener	3,893,400	23⅝	+⅛
Lucent Tch	3,614,300	48⅝	+⅛

■ TRADING ACTIVITY

● Volume (million)

	Oct 23	Oct 22	Oct 21
New York SE	439.836	410.680	414.615
Amex	17.513	17.654	16.748
NASDAQ	582.173	618.387	488.125
NYSE			
Issues Traded	3,239	3,271	3,259
Rises	1,066	913	1,061
Falls	1,271	1,524	1,313
Unchanged	902	834	885
New Highs	69	127	202
New Lows	61	63	38

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Dec	711.05	706.30	-2.75	711.50	708.30	87,044	180,046
Mar	717.10	715.55	-1.80	717.80	715.55	700	5,441

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Dec	21060.0	21090.0	-10.0	21150.0	20820.0	21,290	208,308
Mar	21010.0	21090.0	+190.0	21120.0	21010.0	18	12,100

Open interest figures for previous day.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x index)							
Oct	2152.0	2157.0	+3.0	2161.0	2147.0	14,754	22,840
Nov	2158.0	2162.0	+3.0	2164.0	2154.5	4,259	3,645
■ DAX							
Dec	2706.5	2692.5	+2.0	2707.0	2683.0	20,873	-
Mar	2720.5	2711.0	+3.0	2720.5	2705.0	211	-

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ OMX							
Oct	1689.75	1684.50	-1.50	1689.25	1679.00	7,649	14,773
Nov	1699.00	1692.00	-3.25	1708.25	1688.50	6,318	14,740
■ SOFFEX							
Nov	3745.0	3748.0	+11.0	3763.2	3735.0	4,732	21,585
Dec	3750.0	3750.8	+3.8	3750.0	3750.0	22	542

** Sat Oct 19: Taiwan Weighted Price 6431.95, Korea Comp Ex 691.16. Base values of all indices are 100 except Australia All Ordinary and Mining - 500, Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 24 - 2681.04 +3.05. † Correction. * Calculated at 15.00 GMT ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's) ▼ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, October 24, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nichiei	9.9m	317	+7	Honda Motor	2.9m	2700	+30
Sumitomo Seika	4.8m	822	-63	Fujitsu	2.7m	996	-4
Sumitomo Mtl Ind	4.1m	309	+3	NKK Corp	2.6m	281	-3
Nippon Steel Cp	3.5m	338	-1	Oki Electric	2.5m	687	-5
Toyota Motor	3.3m	2720	+30	Nissan Motor	2.3m	872	+9

4 pm close October 24

NEW YORK STOCK EXCHANGE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

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- J -

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- K -

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- M -

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- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

4 pm close October 24

NYSE PRICES

Continued from previous page

- V -

- W -

- X - Y - Z -

- T -

- U -

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ex-spec. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. s Dealings suspended.

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NASDAQ NATIONAL MARKET

4 pm close October 24

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX PRICES

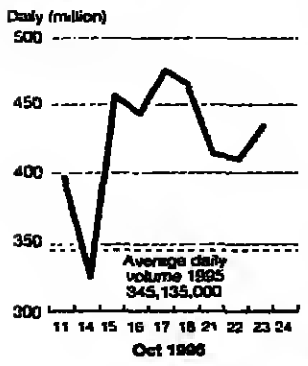
4 pm close October 24

Dow slides in spite of solid results

AMERICAS

US shares were mixed at the end of the morning session. Blue chips gave ground, but technology shares rode higher on the back of good gains by a number of sector leaders, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Index was off 33.17 at 6,003.29, the Standard & Poor's 500 fell 2.53 at 704.74 and the American Stock Exchange composite was 1.46 weaker at 569.27. NYSE volume was 229m shares.



Technology stocks were mixed, but the largest companies in the sector helped the Nasdaq composite advance 4.00 at 1,231.88. Microsoft and Intel, the two largest companies on the Nasdaq, rose $2¾ to $136¾ and $1¼ to $110½ respectively, while Cisco Systems, the third largest company in the index, lost $1¾ at $61⅞.

In a pattern that has prevailed in many recent sessions, shares in companies fell even after they reported earnings that were better than analysts' expectations. Ms Abby Cohen, co-chair of the investment policy committee at Goldman Sachs, said: "This should not be very surprising, given the significant price gains experienced prior to the actual reports."

Yesterday's examples of this pattern came from Procter & Gamble and Boeing, two components of the Dow, which both fell in spite of earnings which were stronger than analysts' expectations. Boeing shed $1⅞ at $95⅝ and Procter & Gamble lost $3⅝ at $92⅝. A 1 per cent decline in quarterly sales may also have contributed to the weakness in Procter & Gamble's shares.

Worries about fourth-quarter earnings also weighed on the market. AMP lost $4⅛, or 11 per cent, at $34 after the company reported third-quarter earnings modestly below forecasts and warned that it expected profits in the fourth quarter to be similar to those of the third.

Quaker Oats slipped $1⅞, or 5 per cent, at $34⅝ although the cereal and drinks maker reported operating earnings ahead of forecasts. The company reported a decline in sales of Snapple, the soft drink company it acquired for $1.7bn in 1994.

A few companies managed to rise after reporting strong results. Lucent Technologies added $1⅞, or 4 per cent, at $50⅞ after reporting fourth-quarter earnings of 40 cents a share, 3 cents ahead of estimates. Dow Chemical climbed $1 at $79 after it reported third-quarter profits of $1.92 per share compared with a median estimate of $1.89.

TORONTO finally caught Wall Street's sniffles during a dull morning session.

After four straight days of steady advance, in marked contrast to the trend in the US, the Canadian market lost ground, dipping 7.15 to 5,568.03 in terms of the 300 composite index at noon.

Conglomerates continued to lead the winners with a gain of 1.3 per cent, but the trend among the sub-sectors was visibly mixed. Gold shares were the worst performer, slipping by a percentage point.

Among the blue chips, Alcan was a bright spot, rising 80 cents to C$44.70, but the broad trend was downwards. Seagram lost 15 cents to C$49.85 and Northern Telecom 5 cents to C$87.15.

Philips shares fluctuate in record volume

EUROPE

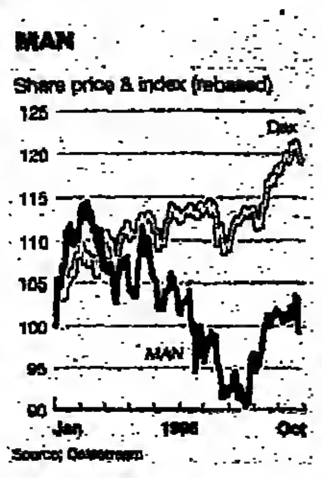
Shares in AMSTERDAM ended ahead after a day of sharp swings as Philips, which fell steeply at the outset, recovered later in the session and, in the process, set a record for a single day's trading volume.

Third-quarter results from the electronics giant fell a long way short of analysts' expectations and the shares fell to a session low of Fl 53 early in the morning.

After the analysts' meeting, however, there was aggressive buying of the stock which racked up a best-ever volume of 9.1m shares. Philips ended Fl 1.70 higher at Fl 58.30.

Dealers said that the additional restructuring planned by the company had heightened hopes for an eventual profits turnround. They said that the shares, which had come down from Fl 67 this month, were analysts' bought.

PolyGram, Philips's 75 per cent owned music offshoot, recovered strongly, climbing Fl 2 to Fl 81.50 after steep falls on Wednesday following a profits warning. Océ van der Grinten, the copier group, gained Fl 4.60 to Fl 184.60 and the brewer Heineken put on Fl 4.60 to Fl 316.5. At close, the AEX index was up 1.59 at 585.16.



MADRID actually reached an all-time closing high, if only just, with the general index 1.66 higher at 383.41.

Turnover rose above Pta40bn. Telefónica accounted for a quarter of that, rising Pta35, or 1.4 per cent, to Pta2,590 in 4.57m shares.

Banks also saw strong buying interest with BCH, which was to produce a 20 per cent gain in nine-month profits after hours, closing Pta60 or 2 per cent higher at Pta3,085.

PARIS shares reversed early losses to edge into positive territory by the close. Turnover was described by brokers as moderate. The CAC 40 index ended 2.76 higher at 2,151.62.

Sentiment was firm, buoyed partly by renewed talk of independent action on interest rates by the Bank of France in spite of Wednesday's *apparent veto* on a further reduction for German rates from the Bundesbank.

Second-line stocks supplied most of the day's action. Dassault Systemes rose FFr6.80 to FFr216.50 after reporting strong nine-month profits.

Galeries Lafayette shed FFr35 to FFr1,829 following press reports that the retail group's plans to cut costs and jobs had run into problems in the French courts.

The steel group, Usinor, came off 80 centimes to FFr77 after a leading broker downgraded its stance.

Pathe retreated FFr3.05 to FFr39.10 in sympathy with the UK media group BSkyB, in which it has a 17 per cent stake. Club Med continued to slide after Wednesday's profits warning. The shares lost FFr2.10 to FFr326.9.

Among leaders, Rhône Poulenc hardened FFr1.20 to FFr142.5 ahead of today's third-quarter results. Lagardère, a dramatically active share since last week's announcement of the Thomson group takeover, gained FFr3.30 to FFr170.

FTSE Actuaries Share Indices								THE EUROPEAN SERIES
Oct 24								
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1772.85	1773.49	1774.37	1773.86	1773.96	1772.51	1772.65	1772.46
FTSE Eurotrack 200	1824.13	1825.18	1825.89	1823.80	1822.11	1821.18	1822.24	1820.24
	Oct 23	Oct 22	Oct 21	Oct 18	Oct 17			
FTSE Eurotrack 100	1777.80	1768.23	1769.46	1787.73	1771.25			
FTSE Eurotrack 200	1829.37	1843.35	1846.58	1841.20	1826.76			

Base value 1000 (26/10/90) High/day: 100 - 1774.37; 200 - 1826.86 Low/day: 100 - 1771.62; 200 - 1820.24
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FRANKFURT's financials were mixed, but its two big insurers rescued the Dax index from another decline. Dresdner and Deutsche Bank contributed to the early equilibrium. In the end, it was Munich Re and Allianz that mattered as the Dax closed 3.05 higher at an Ibis-indicated 2,681.94.

Munich Re was the stock of the day, its registered shares climbing DM204, or 5.9 per cent, to DM3,660 after the big reinsurance group said that earnings per share had more than doubled, and thumped its dividend up from DM13.50 to DM16 a share.

Allianz rose DM26.90 to DM2, Deutsche came back to close 14 pfg lower at DM71.10 on a 9 per cent increase in nine-month profits, and Dresdner put on 24 pfg at DM41.15 following the Goldman Sachs upgrade earlier in the week.

The big news in cyclicals was of more trouble in trucks. Following Volvo's depressing news from that sector on Wednesday, a profit warning from the trucks division of MAN left the engineering group DM14.80, or 3.7 per cent, lower at DM386, and confirmed the bearish sentiment which had depressed the shares through most of this year.

Turnover fell from DM12.1bn to DM9bn. SAP contributed DM1.9bn of that, against DM3.4bn on Wednesday as the software company's preferred recovered DM2.50 of Wednesday's DM66.20 loss, closing at DM214.

ZURICH complained of listlessness as the SMI index rose 10.7 to 3,763.6. However, Swiss Re took a leaf out of its Munich competitor's book, rising SFr19, or 1.4 per cent, to SFr1,341 while Clariant had a similar gain, closing SFr6 higher at SFr447 after recent buy recommendations and on consideration as a good alternative to Roche, Ciba and Sandoz.

On the downside, Swissair extended its recent losses with a fall of SFr36 to SFr963, this time following a slight decrease in the airline's September load factor. The watchmaker Tag Heuer fell another SFr6.50 to SFr203.50, down nearly a fifth since its immediate post-flotation peak of SFr252 just over three weeks ago.

STOCKHOLM saw SKF, the bearings manufacturer, come in with nine-month profits slightly below expectations and fall SKr4.50 to SKr154. The Affärsvärlden General index eased 3.6 to 2,169.3.

HELSINKI, where the Hex index rose 15.51 to 2,247.80, heard Raisio brief investors about the international launch of its Benecol cholesterol-reducing margarine. After an initial fall to FM269, the high-flying shares closed FM4.10 better at FM791.59.

WARSAW fell for the seventh consecutive session. The Wig index closed 377.8, or 2.7 per cent, lower at 13,745.6 after a 1996 rise of 80 per cent in dollar terms to the end of last week.

Written and edited by William Cochrane and Jeffrey Brown

Field day for Sydney after wage growth data

ASIA PACIFIC

Shares in SYDNEY closed sharply higher, after lower than expected wage growth figures were seen to signal a cut in interest rates.

Bond yields dipped to their lowest level for 31 months, and equities had a field day. The All Ordinaries index closed up 30.3 at 2,377.6.

Rate-sensitive stocks shot ahead, while plans for a $1.5bn share financing by News Corp helped underpin the upturn. News Corp, a dull market lately following a broker stance downgrade, jumped 24 cents to A$7.28.

Rate cut hopes provoked a storming performance among the banks, with National Australia Bank up 29 cents to $A13.76 and Commonwealth Bank 44 cents better at A$11.94. ANZ gained 17 cents to A$7.37.

WELLINGTON rose sharply after hopes for a cut in interest rates were lifted by central bank comments. The NZSE-40 capital index closed up 32.62 at 2,352.91 in what dealers described as good two-way volume.

The central bank suggested that New Zealand's monetary conditions "were tighter than were needed". After this, NZ Telecom, the market leader, gained 7 cents to NZ$7.39. Air New Zealand B shares rose 14 cents to NZ$3.49.

TOKYO drifted lower, as investors continued to shift funds to the booming bond market and volume dwindled on the fourth day of a post-election losing streak, *writes Gwen Robinson.*

The Nikkei 225 average lost 78.66 to 21,003.49, after moving between 20,855.56 and 21,114.69. Volume fell from 287m shares to an estimated 238m. The Topix index of all first-section stocks dropped 5.64 to 1,571.09 and the capital-weighted Nikkei 300 by 0.92 to 294.56. Declines led advances 699 to 317 with 210 unchanged.

In London, the ISE/Nikkei 50 index rose 1.59 to 1,426.61.

Small-lot selling in early trading dragged the 225 index down to its day's low by mid-morning. But, as in the preceding session, selective bargain hunting and arbitrage-linked buying on a pick-up in index futures brought the market back up near the previous day's closing levels.

In the continuing political limbo since last Sunday's general election, analysts said the market was likely to stay directionless until after November 7, the expected date for a special parliamentary session to confirm the new prime minister.

Concerns that the conservative LDP, which will lead the new coalition government, will back away from earlier promises of economic stimulus measures hit real estate-related stocks particularly hard at a time of falling land prices. Mitsui Fudosan slid Y30 to Y1,430.

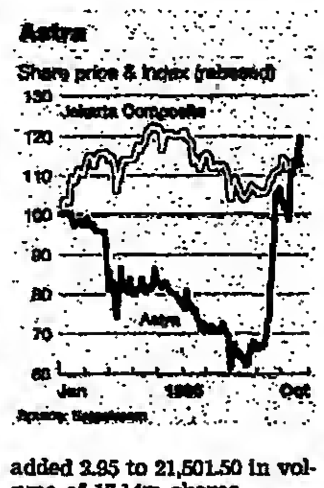
However, carmakers were helped by the strengthening of the dollar against the yen and encouraging reports that vehicle production in the first half of 1996 rose for the first time in six years.

Traders noted that foreign investors, who have stayed net sellers in recent weeks, enapped np car issues. Honda Motor added Y30 to Y2,700 and Nissan Motor Y9 to Y872.

Favourable exchange rates failed to boost semiconductor-related issues. Hitachi fell Y10 to Y1,020 and Matsushita Electric Industrial Y20 to Y1,840.

The most closely watched stock was the timber dealer, Nichiei, which gained Y7 to Y317 on the market's heaviest volume after suffering the maximum daily permissible drop the previous day. This followed reports that its non-bank subsidiary, Nichiei Finance, had filed for Japan's largest corporate bankruptcy.

In Osaka, the OSE average added 2.95 to 21,501.50 in volume of 17.14m shares.



JAKARTA featured a 5.9 per cent drop in Astra International, Rp350 lower at Rp4,000, after speculation subsided that stake-building in the cars-to-plantations conglomerate would take place at a premium.

There had been hopes that groups linked to the Indonesian presidential family might be interested in using Astra's car assembly and distribution facilities for a "national" car project.

The JKSE composite index closed 0.03 higher at 575.89.

SEOUL was uninspired by news that the central bank would cut South Korea's reserve requirement and the composite index, weakened additionally by a deteriorating supply and demand situation and a debt payment default at Samick Musical, fell 7.54 to 804.44.

SHENZHEN reported institutional demand for stocks with a promising earnings outlook and the B share index firmed 0.67 to 89.51, turnover rising from HK$18.7m to HK$29.62m.

BOMBAY took profits and the BSE index fell 2.75 per cent. Up more than 6 per cent in two straight sessions, following central bank moves to loosen credit controls, the index tumbled 91.75 to 3,250.11.

Among leading stocks, SBI shed Rs14.20 to Rs225.75 and TISCO Rs6.75 to Rs186. Boehringer Mannheim fell more than 13 per cent after a local plant was shut by the Maharastra FDA. The shares ended off Rs7.75 at Rs78.75.

KARACHI took a breather after two days of strong gains. The 100 index, up more than 5 per cent since Tuesday's devaluation of the rupee, closed 3.93 better at 1,430.24.

Trading was described as confused. "The short covering sparked by the currency move has been mostly completed. Investors are in a wait-and-see mood," said one dealer.

BANGKOK returned to profit-taking from the Chulalongkorn holiday and the SET index fell 13.54 to 944.51. Finance shares led the way down, as disappointment over recent results added to the selling pressure.

Finance One fell Bt3.50 to Bt68.50 and Phatra Thanakit, which turned in third-quarter earnings down 42 per cent, came off Bt4.50 to Bt89.

Mexico stays upside

MEXICO CITY managed to cling to the upside through the morning session, underpinned by investor hopes for a solid set of results from market heavyweight Telmex. The telecoms giant, which was due to produce a results statement later in the day, was four centavos higher at 12.30 pesos at mid-session. The IPC index gained 1.37 to 3,265.91.

CARACAS stayed firm with the IBC index adding 79.09 to 6,040.67 at mid-session. Dealers said that sentiment had been kept buoyant by speculation about the flotation of CANTV, the state telecoms group. A local financial daily reported that the global offer would begin on November 22.

BUENOS AIRES was little changed at mid-session with the Merval index up 0.37 at 561.35.

South Africa turns down

Weak currency and bullion markets ended a three-day run on the upside in Johannesburg, where the overall index finished an active session with a decline of 20.0 at 7,016.4.

Dealers eaid a softening rand and bullion price had eliced throngb sentiment and sparked "fairly aggressive" selling. There was a modest rally towards the close of the session, but the industrial index ended down 7.0 at 8,274.4.

Golds, a strong market lately, closed off 14.1 at 1,713.7.

The bullion price moved back down through $383 during Jnhannesburg trading bours, and a number of gold etocks came off steeply. Loraine retreated R1 to R14.80.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY OCTOBER 23 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY OCTOBER 22 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	213.63	-0.3	198.40	152.62	169.20	178.74	-0.2	4.26	214.38	198.96	152.98	171.06	179.14	215.24	179.77	180.77
Austria (24)	181.72	0.0	168.76	129.82	143.92	143.81	-0.7	1.96	181.69	168.62	129.65	144.99	144.87	195.04	168.36	169.52
Belgium (27)	220.82	0.2	205.07	157.75	174.88	170.88	-0.6	3.90	220.41	204.56	157.28	175.89	171.87	221.99	193.45	195.19
Brazil (28)	184.29	-0.7	171.15	131.66	145.96	348.22	-0.7	1.76	185.59	172.25	132.44	148.11	350.64	189.70	123.97	149.00
Canada (116)	180.93	1.1	168.03	129.26	143.29	175.84	1.0	2.04	179.67	166.01	127.64	142.75	174.26	180.93	134.14	134.14
Denmark (30)	332.90	-0.7	309.18	237.83	263.66	264.43	-1.3	1.74	335.14	311.04	239.15	267.45	267.86	338.30	272.89	284.32
Finland (23)	218.53	-1.5	202.84	156.12	173.07	209.76	-2.1	2.36	221.93	205.97	158.37	177.11	214.17	232.84	171.73	225.67
France (93)	200.57	-0.4	186.27	143.29	158.85	162.02	-1.2	3.00	201.44	186.95	143.74	160.75	163.92	201.77	167.70	167.76
Germany (58)	181.04	0.5	168.13	129.34	143.38	143.38	-0.2	1.73	180.08	167.13	128.50	143.71	143.71	181.04	155.68	158.28
Hong Kong (59)	467.57	0.2	434.23	334.04	370.32	464.16	0.2	3.29	466.42	432.88	332.63	372.21	463.02	470.55	354.67	381.24
Indonesia (27)	206.20	0.9	191.50	147.32	163.31	294.06	0.8	1.71	204.45	189.75	145.89	163.18	291.61	-	-	-
Ireland (16)	312.43	-0.2	290.18	223.20	247.44	273.07	-0.4	3.29	313.15	290.63	223.46	249.90	274.27	313.15	241.27	246.04
Italy (58)	77.54	-1.2	72.01	55.39	81.41	88.44	-1.5	2.32	78.47	72.82	55.99	62.62	89.78	84.53	67.22	67.37
Japan (480)	140.97	-0.8	130.92	100.71	111.65	100.71	-0.4	0.76	141.74	131.55	101.15	113.12	101.15	184.88	137.75	148.78
Malaysia (107)	587.48	0.5	545.58	418.70	465.28	567.00	0.5	1.16	584.72	542.68	417.25	466.62	564.00	587.48	425.77	473.58
Mexico (27)	1197.46	-0.7	1112.07	855.48	948.38	10271.00	0.4	1.33	1205.73	1119.03	860.40	962.20	10226.60	1325.65	791.99	986.48
Netherland (19)	311.28	-0.7	289.08	222.38	246.53	242.76	-1.5	3.04	313.59	291.04	223.77	250.25	246.42	313.59	251.81	257.13
New Zealand (15)	91.91	-1.6	85.35	65.66	72.79	68.71	-1.4	3.99	93.09	86.40	66.43	74.26	69.66	84.35	75.94	62.82
Norway (35)	261.98	-0.2	243.30	187.15	207.49	228.83	-0.8	2.21	262.65	243.76	187.42	209.60	231.70	265.73	222.24	236.19
Philippines (22)	194.17	-0.3	180.32	138.72	153.78	254.25	-0.2	0.63	194.69	180.69	138.93	155.38	254.89	-	-	-
Singapore (43)	378.81	0.8	349.76	269.06	298.28	245.84	0.9	1.13	373.49	346.64	266.52	298.06	243.61	465.21	361.94	373.38
South Africa (44)	345.55	-0.1	320.90	246.86	273.67	345.57	0.0	2.22	348.03	321.15	246.92	276.14	345.64	437.76	314.20	365.49
Spain (37)	169.23	0.3	178.74	135.19	149.87	184.02	-0.3	3.19	188.63	175.07	134.61	150.53	184.55	189.23	145.15	145.87
Sweden (48)	396.19	-0.7	367.94	283.05	313.76	385.78	-1.1	2.22	398.92	370.23	284.66	318.34	390.14	398.97	294.19	312.82
Switzerland (37)	244.26	0.0	226.86	174.51	193.46	189.99	-0.8	1.55	244.22	226.66	174.28	194.90	191.65	254.34	219.07	220.96
Thailand (45)	118.26	0.1	109.85	84.50	93.68	119.95	0.0	2.93	118.21	109.71	84.35	94.34	118.95	193.95	112.17	163.39
United Kingdom (213)	258.65	-0.7	240.21	184.78	204.85	240.21	-0.7	3.93	260.57	241.84	185.94	207.94	241.84	260.57	222.29	225.25
USA (623)	287.37	0.0	266.88	205.30	227.60	287.37	0.0	2.07	287.41	266.74	205.09	229.36	287.41	289.37	236.38	239.91
Americas (794)	263.08	0.0	244.32	187.95	208.36	221.12	0.0	2.06	263.00	244.09	187.68	209.88	221.05	264.65	215.17	218.47
Europe (718)	223.87	-0.4	207.81	159.94	177.90	193.55	-0.8	2.96	224.78	208.63	160.41	179.39	195.14	224.79	191.44	192.75
Nordic (136)	336.64	-0.6	312.63	240.50	266.62	288.88	-1.2	2.16	339.18	314.79	242.03	270.67	292.47	339.22	261.13	283.60
Pacific Basin (876)	157.05	-0.4	145.85	112.20	124.38	113.36	-0.3	1.24	157.87	146.34	112.51	125.83	113.70	177.01	146.86	157.13
Euro-Pacific (1594)	184.77	-0.4	171.59	132.00	146.84	143.69	-0.6	2.11	185.52	172.18	132.38	148.05	144.40	190.57	166.51	171.87
North America (739)	281.00	0.0	260.96	200.75	222.55	280.04	0.0	2.07	280.86	260.68	200.43	224.16	279.84	282.57	230.17	233.37
Europe Ex. UK (505)	200.34	-0.2	186.06	143.13	158.67	166.35	-0.9	2.40	200.77	186.34	143.27	160.22	187.85	200.84	170.51	171.35
Pacific Ex. Japan (396)	298.87	0.1	277.55	218.51	236.70	257.51	0.2	2.88	298.48	277.02	212.99	238.19	257.06	299.31	243.59	255.95
World Ex. US (1809)	186.83	-0.3	173.51	133.47	147.97	148.79	-0.6	2.10	187.47	173.99	133.78	148.81	149.45	191.55	187.38	172.63
World Ex. UK (2219)	214.42	-0.1	199.13	153.16	169.82	183.46	-0.2	1.89	214.72	199.28	153.22	171.36	183.89	218.41	185.61	190.15
World Ex. Japan (1952)	259.31	-0.1	240.82	185.26	205.39	244.63	-0.2	2.42	259.60	240.93	185.25	207.17	245.21	260.37	217.26	219.33
The World Index (2432)	218.23	-0.2	202.87	155.90	172.84	188.69	-0.3	2.09	218.68	202.94	156.03	174.50	189.11	220.11	188.87	193.22

Latest prices were unavailable for this edition. Market closed 23/10/96: Thailand.

هكذا من الأصل

BfG·Bank Luxembourg S.A.

GRUPPE CREDIT LYONNAIS

Als Tochtergesellschaft der BfG Bank AG in Frankfurt sind wir als Eurobank in Luxemburg seit über 20 Jahren erfolgreich tätig.

Zur Verstärkung unseres Teams im **Geld- & Devisenhandel** suchen wir zum baldmöglichen Eintritt eine(n) erfahrene(n)

Senior Dealer

Als zukünftige(r) Kollege(in) verfügen Sie über mindestens 5 Jahre Erfahrung in den Bereichen:

- Aktiv- /Passivmanagement im Geldmarktbereich
- Handel mit den dazugehörigen derivativen Finanzprodukten
- Erfahrung im Devisenhandel.

Ferner erfüllen Sie folgende Qualifikationen:

- allgemeines Bankfachwissen
- PC-Erfahrung in EXCEL
- perfekte deutsche und englische Sprachkenntnisse. (Französischkenntnisse wären von Vorteil.)

Besitzen Sie außerdem die Fähigkeit, die Vertretung des Chefhändlers während dessen Abwesenheit zu übernehmen, dann freuen wir uns auf Ihre Bewerbungsunterlagen (tab. Lebenslauf, Zeugniskopien, Lichtbild).

BfG Bank Luxembourg S.A.
Gruppe Crédit Lyonnais
Personalabteilung
Frau Neumann
2, rue Jean Bertholet
L-1233 Luxembourg
Tel: 00352/452255-330

INVESTMENT COMMISSIONER

AUSTRALIAN HIGH COMMISSION LONDON

The Australian Government is seeking an Investment Commissioner to promote and facilitate direct investment into Australia from the United Kingdom in the manufacturing and services sectors including identification of potential investors on behalf of Australian companies seeking a foreign partner.

Based in the High Commission London, the successful applicant will be an Australian citizen who is familiar with international business and/or investment promotion and facilitation techniques gained from extensive experience in merchant banking, corporate finance, strategic planning and/or investment attraction.

The position requires good knowledge and experience of the Australian and UK business environment and the capability of gaining access and making presentations to business leaders at the highest levels. The successful candidate will preferably have relevant tertiary qualifications such as an MBA and/or a commerce or law degree.

A three year contract including an attractive remuneration package will be offered commensurate with the qualifications and experience of the successful applicant. Austrade offers equal opportunity employment conditions.

Initial information and selection documentation can be obtained from the office of the Senior Trade Commissioner, Australian High Commission London by phone 0171 8875204 or by fax 0171 8364250. Further enquiries should be directed to Tony Baker, General Manager, Investment Australia, Austrade Sydney on 00612 9390 2036 (office) or 00614 11518157 (mobile). Applications will be treated in the strictest confidence and should be forwarded by Friday, 8 November 1996.

The Recruitment Officer
Australian Trade Commission
GPO Box 2386
Canberra ACT 2601
Australia
or fax: 61 6 201 7341

AMADEUS

GLOBAL TRAVEL DISTRIBUTION

AMADEUS, World leading multinational Computer Reservation System, owned by Air France, Iberia, Lufthansa and Continental, is seeking for its headquarters in Madrid (Spain) the following position.

RISK (FX AND INTEREST) MANAGER

(Ref. TR-2-96)

Reporting to the Group Treasurer, the successful candidate will be responsible for the implementation of the selected management system as well as for the overall Group foreign exchange and interest rate risk management, identifying and measuring FX and interest rate exposures, defining hedging strategies, carrying out transactions and supervising settlements also in coordination with AMADEUS Core Companies.

We are looking for a professional with 5-7 years experience in a similar position with large companies or groups of companies, with sound knowledge of foreign exchange and interest rate exposure management, as well as debt and investment management. The candidate should be familiar with derivatives, forwards, swaps, options, caps, futures ... and also have experience in the implementation and use of FX management systems.

All applicants must fulfill the following requirements:

- University Degree in Economics or Business Studies. An MBA is desirable.
- Bilingual English/Spanish, fluency in German and/or French considered an advantage.
- Advanced PC skills (Lotus, Excel, Word).
- Age between 30-35 years.

Essential qualities are flexibility, to have a roll-up sleeves attitude to work, to be willing to deal with a wide range of tasks and above all, to be an effective team player.

Candidates must be European Union citizens.

All interested candidates who meet all the requirements are asked to send a CV in English with a photograph, clearly stating the reference and mentioning the level of desired remuneration, to the following address:

Apdo. Correos 20172
28027 Madrid (SPAIN)

Deadline for submission of applications is November 8, 1996

Institutional Fixed Income Sales

Fixed Income relative value sales desk seeks qualified individuals to join sales effort focusing on global sovereign debt & spread products such as emerging markets, structured products, etc. This group is part of a major international bank with AA credit. All of Europe, Middle and Far East open for coverage.

Please fax your resume to Dublin office
(353) 1 605-0480 Attention: European Sales

ACCOUNTANCY APPOINTMENTS

EUROPEAN CONTROLLER

BENELUX **EXCELLENT PACKAGE**

Our client is a *blue chip* US multinational with operations worldwide. The company generates an annual revenue of approximately $70 billion and employs more than 200,000 people.

One of the numerous business activities includes the Modular Space Business Group which is in the process of setting up a European Head Office for their rapidly growing Pan European operation. This business group rents, leases and finances customised mobile and modular building solutions for commercial applications. Currently they have operations in four countries and they are strongly expanding their European operations due to business growth and acquisitions.

In order to strengthen their finance team they are looking for a high calibre European Controller. We would like to hear from business orientated finance professionals who are challenged by this new position in an entrepreneurial environment. Reporting directly to the Chief Financial Officer, the European Controller's position offers a high degree of responsibility and exposure to executive management.

The main responsibilities will be:

- to have sound financial control on business activities according to group guidelines
- maintaining good relationships with country controllers and management
- due diligence
- setting up the financial objectives for the operating units
- implementing policies and procedures
- reviewing forecasts and reporting
- business performance analyses and recommendations
- involvement in the implementation of Oracle Financials
- strategic business projects.

The successful candidate will be aged mid-thirties and be a qualified Accountant (CPA/ACA/RA) with at least eight to 10 years experience gained by working in a similar financial position for international businesses. You should also be able to demonstrate excellent career progression within a complex and continuously changing environment. For this high profile role strong analytical and communication skills are essential together with leadership and entrepreneurial qualities. You will have a drive for results, be process driven and flexible, have a business approach with a self-starter attitude. The business language is English but a second European language would be desirable. There will be up to 20 percent international travel. Career development opportunities are excellent.

If you are interested in this opportunity, please contact **Elisabeth MM Huigen on Tel: 00-31-20-6444 655 or send your curriculum vitae to Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, The Netherlands, E-mail: elisabeth.huigen@robertwalters.com** or fax: 00-31-20-6429 005.

ROBERT WALTERS ASSOCIATES

FS20091

LONDON WINDSOR NEW YORK AMSTERDAM BRUSSELS SYDNEY WELLINGTON

Chief Financial Officer – Germany

World Leading Software Products and Services

Package to c. DM200,000 **Dusseldorf**

Our client is one of the leading software companies in the world, providing top quality products and services for each of its major markets, which include electronic commerce, applications management and systems management. Last year the organisation recorded revenue of $588 million and is enjoying a period of significant profitability. Its International division now requires a Chief Financial Officer for its German operation. Reporting to the President-Germany and VP Finance International, your responsibilities will include:

- Overseeing accounting, financial controls and systems throughout the Company.
- Preparing budgets with emphasis on balance sheets and cash flow forecasting.
- Involvement in the planning and implementation of all aspects of Business Development and Sales and Marketing.
- Provide a strategic approach to management and financial information identifying key areas of focus.
- Be instrumental in all contract negotiations.

Candidates will be graduate calibre accountants with at least 7-10 years' PQE gained with a US subsidiary or European multinational. Candidates will display considerable business acumen and entrepreneurship and be able to operate in a highly decentralised, profit driven and incentivised environment. They will display a hands-on management style as well as a strategic approach to performance, profitability and future direction of the company. Fluent English and German is essential.

Salary is negotiable and will reflect the seniority of the position. Assistance with relocation will also be available if required.

If you believe you have the necessary attributes and dynamism for this unique role then please send an up-to-date CV, along with your current salary details, to the advising consultants at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HNF160FT. You may also apply via http://taps.com/Harvey_Nash

HARVEY NASH PLC

Controller Belgium

cBF2,500,000 + Bonus + Benefits **Brussels**

Our client, with worldwide revenue in excess of $3 billion, is recognised as being the market leader in the transportation service industry.

This US based multinational corporation is currently seeking a Controller for its Belgium and Luxembourg business unit. Reporting to the General Manager – Belux and functionally to the Controller of European Operations, responsibilities will include:

- Directing the financial and accounting functions of a $30 million business unit in accordance with US GAAP standards and local statutory requirements.
- Preparing, analysing and interpret financial matters for utilisation by management in the decision making process and evaluating the data with reference to company and unit objectives.
- Establishing and maintaining an integrated financial plan consistent with the company's goals and objectives, both short and long term, analysed and revised as required and communicated to all levels of management.
- Developing and revising internal control standards to provide guidance and assistance to other members of management in ensuring conformance with company standards.
- Overseeing assigned tax, treasury, purchasing and MIS functions, maintaining appropriate relationships with internal and external auditors and developing and maintaining systems and procedures in accordance with company standards.

The ideal candidate will be a qualified accountant (MBA Finance a PLUS) with at least 6 years' experience with US multi-national organisations and possess prior senior finance management experience. Given the highly commercial focus of this position, the individual will display both strong technical skills and considerable business acumen and be able to operate in an environment that is transitioning to a centralised shared service structure.

This is a challenging and demanding role which will require a pro-active individual with superior communication skills, a grasp of day-to-day management as well as the ability to make a significant contribution, at a strategic level, to the performance and profitability of the company. Fluent English, French and Dutch are essential.

Suitable candidates should forward their details to the advising consultant, at Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HNF159FT. You may also apply via http://taps.com/Harvey_Nash

HARVEY NASH PLC

AN INTERNATIONAL MANUFACTURING COMPANY RECRUITS FOR FINANCIAL POSITIONS

Based : NORTH AMERICA

With $ 5 billion in Sales, this manufacturing company ranks amongst the world's ten leading suppliers in its sector. With a strategy focusing the 30 000 employees around the world on Total Customer's Satisfaction and high profitability target's the Group has reached self-financed development.

Division Account Director (réf. MF01FT)

In charge of the Accounts of the different Industrial sites and Commercial entities in North America, you report to the CFO. This position requires CPA and a five year experience in the Accounts Department of an Industrial Group.

Manager Treasory (réf. TAA01FT)

Reporting to the CFO, you will manage the daily disposition of cash balances and devise a strategy for long and short term funding.

Customer Project Controller (réf. MF02FT)

You have to manage the new projects from the very beginning of the process to the end, according to budgets, margins, costs... You act as and adviser to the different Project Managers, the Purchase Manager, the R&D Manager and the different people from the Finance and Administration side including MIS.

Plant Controller (réf. TAA02FT)

You are the main correspondant of the Division Financial Controller. You manage a team and you are in charge of the harmonisation of group procedures, the controlling and reporting to the US division.

THE PROFILES : • Age : 30 to 40 • Certified Public Accountant or Business School Degree • Preferably a first experience in Audit followed by an experience in a Manufacturing environment • A strong personoality and a taste for challenges is required as well as a good maturity and a real sense of analysis

Interested candidates apply in writing to Thomas ANGLES D'AURIAC or Marie FRAIOLI, clearly stating your current salary and the reference of the advert NICHOLSON INTERNATIONAL FRANCE 14 rue Pergolèse - 75116 PARIS (France) - Tél. (00-33) 01 44 17 81 81 - Fax (00.33) 01 45 00 03 20

NICHOLSON INTERNATIONAL France

London, W1 Headquarters — c£33k salary + car, bonus & benefits

Small team; Big ambitions; Unique opportunity; Right time

Our clients, a fully listed plc, are at an early stage of building a portfolio of quality manufacturing and distribution businesses focused on growth sectors of their market. Having just completed their second acquisition in the past 9 months, they need a young, probably late 20s, qualified accountant to join their small team in the role of **Mergers and Acquisitions Accountant.**

You'll be working with main board directors on potential acqusitions and development opportunities, analysing their performance and liaising with reporting accountants. The job demands a range of skills from financial modelling to forecasting, preparing briefs for external analysts and producing business reviews and long form reports. It will involve you in some UK travel and you must anticipate a number of protracted stays away from London in the course of the average year.

You need to be a Chartered Accountant who trained with one of the largest U.K. practices. A strong background in corporate finance is essential. Beyond that we'd wish to be persuaded that you're likely to share our clients' absolute commitment to growth – and therefore to change.

CVs please and a letter underlining your match with our clients' needs to: **John McManus,** C&M Search & Selection, 72/75 Marylebone High Street, London W1N 3AR. Ref AM/FT

Courtis & McManus
Search and Selection

FINANCE DIRECTOR

Telecoms Manufacturing

Our client is a rapidly expanding, autonomous, $160 million turnover subsidiary of an international corporation engaged in the design, manufacture and marketing of mobile phones and other telecommunications products. They seek to appoint a highly commercial finance professional to the Board who will play an important role in shaping the future of the business. Prime responsibility will be to manage the Finance Group in the provision of financial expertise and business support, and in particular to:

Denmark

- Maintain strict working capital control and drive systems development
- Drive business planning and evolve organisational strategies to meet corporate goals
- Assess the viability of new initiatives and play a leading role in contract negotiations
- Make ongoing commercial and strategic contributions to the long term, profitable growth of the business

Six figure salary package

Candidates will be qualified accountants or business graduates with at least 10 years' senior financial management expertise gained in a fast moving, international, manufacturing environment. Strong personal presence, outstanding communication skills and incisive leadership ability are prerequisites. Fluency in Danish and English is essential.

Interested candidates should write with full CV, quoting current rewards package to Mark Hurley, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY Tel: 0171 430 9000. Fax: 0171 405 5995 quoting ref: HMH/6654/FT.

INVESTOR IN PEOPLE

Hoggett Bowers
EXECUTIVE SEARCH & SELECTION

DIVISIONAL FINANCIAL DIRECTOR

World Class Manufacturing Business

Germany SUNRISE MEDICAL **to DM210,000 Package + Car**

Sunrise Medical, an NYSE-listed company, is the leading manufacturer of high-value rehabilitation and recovery products for the disabled. Established in California in 1983, the company has a reputation for excellence in manufacturing and a firm commitment to customer service, underpinned by a progressive and forward-thinking style of management. The result has been an impressive and consistent record of growth and profitability, with operations throughout the USA, Canada and Europe.

THE POSITION

- Reporting to the Chief Executive of the company's DM100m German operation, with a dotted-line to the European Vice-President, Finance.
- Full functional responsibility for all financial matters, including reporting requirements for the US parent, divisional management accounting, budgets, forecasts and systems development.
- Significant strategic exposure, playing a pivotal role in the management of a complex, highly cost and margin-sensitive business, at a time of considerable change.
- A highly influential and prominent role in a young, exciting and rapidly expanding business.

QUALIFICATIONS

- Qualified Accountant, preferably Chartered, aged at least 30 and already operating in a senior line management role.
- Fluency in both English and German is vital.
- Experience in a quality-driven 'discrete' manufacturing environment, preferably with international operations.
- Broad-based line management experience, with specific expertise in the areas of cost control and profit-improvement. Proactive, able to demonstrate bottom-line awareness.
- Strong interpersonal skills, with the intellect to contribute to the strategic development of the business.

Interested candidates should write, enclosing full career and salary details to the advising consultant, *William Greenwell* at Questor International Limited, 3 Burlington Gardens, London W1X 1LE. Please quote reference 1412.

QI
QUESTOR INTERNATIONAL
A Michael Page Group PLC Company

Director of Audit

£80,000 Package + Car & Benefits **London**

Seasoned professional required to lead internal audit function in the London Transport Group.

THE COMPANY

- Annual turnover in excess of £1 billion. Capital expenditure to top £1 billion in current year.
- Group activities include London Underground, LT Buses and LT Property.
- Major projects under way, including the Jubilee Line Extension.

THE POSITION

- Responsible for wide-ranging audit programme across full spectrum of LT activities. Responsible to Board Member for Finance with regular reports to LT Audit Commitee and Board.
- Evaluate adequacy of systems and controls throughout Group, ensure compliance. Support senior management in effective discharge of corporate governance and recommend improvements.
- Lead audit team of 50 professionals, covering financial, operational, IT and Security and fraud. Annual budget of £3 million.

QUALIFICATIONS

- Chartered Accountant with excellent degree. Ideally Big Six background with demonstrable record of success. Thorough understanding of current audit techniques; committed to best practice.
- Broad experience in commercial environment with extensive board-level exposure.
- Excellent communication and leadership skills. Robust professional style, able to meet demands of high-profile public sector organisation.

Please send full cv, stating salary, ref LG610AI, to NBS, 54 Jermyn Street, London SW1Y 6LX

N B SELECTION LTD
a BNB Resources plc company

NBS

Tel 0171 493 6392 • Fax 0171 409 1786
Aberdeen • Birmingham • Bristol • City
Edinburgh • Glasgow • Leeds • London
Manchester • Slough • Madrid • Paris

PPG
Coatings & Resins

In Europe, the company (with a USD 2,000 million turnover and 8,000 staff), is part of an international group employing 35,000 people, a world leader in the domain of coatings, glass for buildings and automotive, fibre glass and chemical processing, is looking for its coatings and resins activities for a:

Financial Analysis Manager

Europe

Paris La Défense/France

Working closely with the European Controller, you will be responsible in Europe for:

- Consolidating monthly, quarterly and annual Systems Business Unit sales and earnings forecasts.
- Providing financial analysis and support to the business unit managers.
- Supplying monthly analysis of the financial results.
- Providing necessary guidance to ensure completion of the profit plan.
- Controlling the European "micro control" database.

Your working language will be English, two other European languages would be advantageous and you should have a minimum of seven years experience with a US company regional headquarters preferably in a consolidation/reporting function.

You will be able to communicate at all levels and demonstrate good organisation skills.

You will be MIS and PC literate.

Please send your CV, photograph, telephone number, present salary to Nicolas Bécho at
Michael Page International,
3 boulevard Bineau, 92594 Levallois Perret, France quoting ref NBE14904.

MP
Michael Page International
International Recruitment Consultants
London Paris Amsterdam Dusseldorf Frankfurt Hong Kong Singapore Sydney Melbourne

Coopers & Lybrand | Executive Resourcing

Financial Director

NORTHANTS **TO £50,000 + SUBSTANTIAL BENEFITS + OPTIONS**

This is an exceptional opportunity for a commercial and ambitious finance professional to play a key role in the further development and expansion of a £25 million turnover consumer durables manufacturing company, which is an autonomous subsidiary of a quoted group. Following a programme of major organisational and operational initiatives, the company is now in a strong position to move forward and exploit and reinforce the strength of its brand portfolio.

With full accountability for optimising the financial management and finance functions across a range of diverse operations, you will as Financial Director also be expected to make a significant contribution in driving forward business performance and managing the planning process. Initial objectives will include the advancement of accounting and information systems necessary to secure the information to control and plan the commercial success of the organisation.

Applicants must be result and profit orientated individuals with well developed commercial and business acumen in addition to sound professional and technical skills. You are likely to be a graduate qualified accountant with a sound knowledge of modern integrated management information systems. A track record of achievement within a substantial, commercially strong, market led manufacturing organisation is essential, as are the interpersonal skills and ability to positively influence management colleagues. You must be equally capable of functioning at board level in supporting and identifying major change and in the detail necessary to drive and challenge operational issues and control associated costs.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, 9 Greyfriars Road, Reading RG1 1JG quoting reference AE932 on both envelope and letter.

FINANCE DIRECTOR

c £50,000 + SHARE OPTIONS + BENEFITS

Based at Surrey Research Park and with offices in Germany and Japan, our client is a young entrepreneurial and ambitious company with a very bright future. Developed through a management buy-out from a major multinational electronics group in 1994, it specialises in leading edge communication and control network design solutions for the automotive and information equipment industries worldwide. Currently enjoying outstanding growth, its ultimate business goal is to achieve a stock market listing within 5 years.

To play a key role in this process, the company is seeking a high calibre Finance Director to join its small management team. Reporting to the MD you will have full responsibility for developing and managing the company's finance, information and administration systems.

Most importantly, you will be expected to contribute significantly to the business management of the company at a strategic as well as an operational level, and within an environment of very rapid global change.

You should be a qualified accountant (preferably chartered), of graduate calibre and with a broad range of solid finance/accounting and business management experience at a senior level within the high tech industry, ideally with an international dimension. Excellent communication and people management skills are essential, as is a high degree of computer literacy.

Above all you should be seeking an exciting and challenging opportunity, - a situation in which success and rewards will be achieved in direct relationship to your own effort and contribution.

To apply, please send a full CV with details of your current [illegible]

MJ Associates, 51 Church Road, Richmond, Surrey TW10 6LX. Fax: 0181 940 7141.

Cox Insurance Holdings PLC

Cox Insurance Holdings is a fully listed plc, providing insurance coverage through seven Lloyds syndicates to shipping, aviation, nuclear, and non marine industries, together with personal lines business with a total underwriting capacity of £470 million. Due to our rapidly expanding business activities an opportunity has arisen within our London Head Office.

GROUP ACCOUNTANT, INSURANCE

Salary £35,000-£40,000 plus benefits

Reporting to the Group Financial Controller, your role will include:

- Management and statutory reporting
- Corporate taxation
- Corporate and overall expense budgeting, forecasting and monitoring
- Supervision of three staff within the finance group

We require a qualified accountant, with at least 2 years post qualification experience, insurance expertise (preferably gained in industry) and strong computer skills. The successful candidate will also possess excellent interpersonal and communication skills both written and oral. The ability to work under pressure, adhering to deadlines and use of own initiative is essential.

In return, the Company offers a very competitive package of benefits including non contributory pension scheme, private medical cover and discretionary bonus award.

Please apply in writing enclosing your current CV stating your current salary to:

John Mitchinson
Head of Human Resources
34 Leadenhall Street, London EC3A 1AT
Reference: JFM/MS/FTGA Closing date: 8th November 1996
No agencies please.

Coopers & Lybrand | Executive Resourcing

Director Financial Operations – Europe

LONDON **PACKAGE TO £100,000**

Our client is one of the world's largest integrated oil and petro-chemical companies. Significant organisational changes are now planned following the decision to restructure and establish centralised shared services. As a consequence an outstanding individual is required to lead the European financial operations in bringing about substantial process and organisational changes whilst uniting the best practices of quality management to their accounting, systems and reporting functions.

As a key member of the management team, you will play a lead role in setting up and implementing, directing and managing a major element of the shared services function to support the Group's European operations. You will be expected to deliver high value and cost effective support and advice necessary and appropriate for the operations and business groups to achieve world class competitive standards.

To succeed you will need to be a pro-active and robust individual with exceptional communication and interpersonal skills. Ideally a qualified accountant or an MBA, you must be able to demonstrate a track record of increasing responsibility and meaningful contribution to business performance. You must also be able to evidence the successful management of large teams, the ability to build key relationships and influence decision makers across the European operations of a blue-chip multi-national. The role also demands an ability in at least one continental language in addition to fluency in English. The successful candidate should not want to limit their future career to this role.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Ltd, 1 Embankment Place, London WC2N 6NN quoting reference AE931 on both envelope and letter.

Senior Internal Auditor

The Ministry of Defence of Oman has a vacancy for a Senior Computer Auditor to complement its professionally staffed Internal Audit Directorate. The post is offered on accompanied contract for an initial period of 2 years, renewable annually thereafter by mutual agreement

The MOD currently uses a diverse range of systems, applications and platforms but is undergoing a considerable redevelopment strategy. The candidate should therefore be technically competent on a wide range of established and emerging technologies. Your role will encompass a wide range of duties including the control and integrity issues relating to proposed and existing systems, together with the training of Omani Auditors.

You will have gained extensive experience (at least 7 years) in systems based audit in a diversified organisation at a senior level and be educated to at least Degree level in computing. Preference will be given to those who possess (or are working towards) QICA/CISA qualification

Terms of service include annual Pay in Omani Rials equivalent to Pounds Sterling £23,917. There is an end of contract gratuity of 20% of the total pay received. Both pay and gratuity are **TAX-FREE**.

In addition, an attractive benefits package includes 60 days annual leave with 2 return flights home for self and eligible family, free furnished accommodation, first class recreational facilities and monthly allowance for domestic staff and transport

Suitably qualified applicants, up to the age of 50 years, should write with full CV to:
The Recruiting Officer (L),
Military Attachés Office,
Embassy of the Sultanate of Oman,
64 Ennismore Gardens,
London SW7 1NH.

MINISTRY OF DEFENCE
SULTANATE OF OMAN

KNIGHTSTONE HOUSING ASSOCIATION

Knightstone is a leading and progressive housing association in the South West providing housing for people in need. It has more than 9,000 homes in management and a busy development programme.

We are now looking to recruit to the newly established post of

HEAD OF INTERNAL AUDIT (Ref: HIA1)
Salary Range: £32,800-£35,875
Plus Car & Attractive Benefits Package

Based at the Group's central office in Weston-super-Mare you will manage the provision of an internal audit service to the Association and its connected organisations.

This high profile post will report to the Chief Executive with responsibility to the Board through its Audit Sub-Committee.

Specific responsibilities will include:

- Risk assessment and implementation of an effective audit programme
- Project management of internal and external audit resources
- Servicing the Audit Committee
- Providing internal advice and training to staff on audit and internal control issues.

You will hold a professional accounting or auditing qualification with a minimum of 5 years' audit management experience. Specific industry experience in housing associations, property development or construction would be an advantage. Essential personal qualities include well-developed oral and written communication skills, confidence and credibility in working with senior executives and Board members and a pragmatic commercially-focused approach to business control in a rapidly changing environment.

For an application form and job description, please telephone: 01934 522436 (Answerphone/Queuing System), quoting the job reference.

Closing date for completed applications:
Friday 8 November 1996

Knightstone Housing Association is working towards becoming an Equal Opportunities Employer and encourages applications from all sections of the community

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Financial Controller, Kuwait

Our client is a well established professionally managed financial services company involved in the investment, treasury, real estate and client fund management activities. They are looking to recruit an experienced professional for overseeing, running and directing the financial accounting department.

Key responsibilities will include:

- Establishing an effective management decision support system.
- Strengthening of risk and financial control systems.
- Budgeting and financial planning.
- Providing the necessary financial analysis and projections to develop business strategies.
- Assisting management in performance analysis and monitoring of investments, identifying revenue enhancement and cost reduction opportunities and providing effective, relevant and timely advice on a full range of business issues.

The ideal candidate will be a Chartered Accountant or Certified Public Accountant with at least 5 years experience in a similar capacity in a financial institution with a successful career record in all the above areas. The incumbent should have systems orientation and must possess good communication and inter personal skills, strong leadership and administrative capabilities and outstanding analytical and conceptual skills.

The remuneration package for this senior management position will be commensurate with qualification and experience and will not be less than US$ 100,000 (tax free).

Interested applicants should write within two weeks of this advertisement to Manoj Kabra, Fax (965) 2400120, enclosing full career and remuneration details quoting reference CID/10/96.

KPMG *Management Consulting*

RUSSIAN SPEAKING ACCOUNTANT

Extensive senior management experience in the FSU, available for short or long term contracts.

Phone: 0131 440 0089

Finance Director

Our client is a key operating division within a $multi-billion marketplace where group turnover exceeds £110 million. They have successfully completed a management buyout in recent years and in offering a quality service driven culture and by adopting a dynamic approach to new market and business opportunities they are gaining market share. Their short term business plans include a profit level which will double in the next financial year and a possible flotation after this.

Committed to the principle of constant improvement for customer and company alike they seek to recruit a high flying individual who will work closely with the Divisional Managing Director and contribute also at Group Board level.

Based: Midlands
Salary: c£50,000 Package + Choice of Car

The role will focus on maximising profit generation, enhancing the efficiency of the business through strengthening financial disciplines and providing both Financial and Commercial support within a technically advanced environment.

There are a number of attractive features that combine to make this an exciting opportunity for an experienced, ambitious and successful senior manager. Probably in your 30's and an FCA your career to date will have enabled you to develop the range of skills and depth of experience required for this highly visible role. Personal attributes will include excellent interpersonal skills, a high energy level and a clearly focused pragmatic approach to business.

The package will include a negotiable basic salary, choice of executive company car and comprehensive benefits package. However, we feel the deciding factor in your application will be the opportunity to join a fast growing organisation and make a significant personal contribution to its success.

Interested candidates should apply in writing enclosing a comprehensive CV to John Harridge or call for a confidential discussion on 01483 898989

Harridge EXECUTIVE SEARCH

HALLAMS COURT BLACKHEATH GUILDFORD SURREY GU4 8QZ

Accounting Manager

Guildford based

Competitive salary package

A world leader in Cellular systems, with 41% of the cellular global market and 85,000 employees world-wide, Ericsson designs, manufactures and supplies advanced digital and analogue systems to the most demanding international standards.

With an ever expanding and more demanding customer base, our commitment to optimising product reliability, innovation and excellent customer service is second to none.

An exciting opportunity has arisen for an Accounting Manager to work within the central Finance department at Ericsson's Guildford office which has experienced unprecedented growth in sales and order bookings.

As Accounting Manager you will work closely with key divisional finance management teams to produce periodic financial reports for the Division, Company and Group and will also have the following key responsibilities:-

- Preparation of periodic budgets and forecasts.
- Organize, motivate and develop a team of finance staff.
- Lead the continuous development of all management information systems.

We seek a fully qualified accountant with sound accounting and reporting experience gained in a commercial environment (minimum 3 years). You must also be comfortable working under pressure and to strict deadlines. Excellent communication and interpersonal skills will be as important as dedication, initiative and the ability to implement change.

In addition to an attractive remuneration package including relocation where appropriate, you will earn career development opportunities as a high achiever

To apply, please send your Curriculum Vitae together with salary expectations to:- Iris Freeman, Ericsson Ltd., Midleton Gate, Guildford Business Park, Guildford, Surrey GU2 5SG. Tel: 01483 305494. Fax: 01483 305090.

ERICSSON

FINANCE MANAGER

NEW OPPORTUNITY TO MAKE YOUR NAME WITH A MAJOR OIL & GAS COMPANY

CENTRAL LONDON Package up to £38,000 plus car and benefits

Mobil Corporation is one of the world's largest energy companies. Its subsidiary, Mobil Sales and Supply (MS&S), is responsible for worldwide crude oil and refined products supply balancing, through the daily trading of millions of barrels of petroleum products, and regulated and unregulated paper.

Responsibility for business and statutory reporting for MS&S Europe has transferred from the US to London, resulting in the need for a finance professional to establish and maintain challenging standards for a young finance organisation. Your team will comprise accountants and transaction settlement analysts, responsible for contract verification, cargo support, and settlements. With a new system recently installed, the key to your success will be improving service while reducing costs.

Ideally qualified to ACA/CIMA level, with a minimum second class honours degree, you will have three to five years' blue-chip experience in varied accounting procedures, audit and regulations. Computer literate, you will have proven leadership skills in an environment of continuous improvement.

This is an ideal chance for a hands-on professional to make a major contribution to one of the world's leading oil and gas companies. In return, we offer a competitive salary and benefits package, including a car, private health scheme, pension and a share savings scheme, together with excellent career development opportunities. If you are interested in this challenging role, please submit your CV, including salary details, quoting reference MD5104, to Jerry Goldsmith, Macmillan Davies, Salisbury House, Bluecoats, Hertford SG14 1PU. Tel: 01992 552552. Fax: 01992 505301.

Mobil The energy to make a difference.

Corporate Finance

City Based £Excellent

Our client is a leading international investment bank, with offices in all major world financial centres. Through its global network, it provides a comprehensive range of financial services and has a growing international client portfolio. Due to this growth, an opportunity has arisen in the corporate finance department in M&A and Corporate Advisory. This role covers both the marketing and execution of transactions for high profile M&A work in the city. Candidates must be of the highest calibre and possess:

- ACA or MBA qualification combined with an outstanding academic record
- 2-3 years experience in M&A or Corporate Advisory in an international investment bank
- Fluency in French and/or German, would be advantageous
- First class communication skills coupled with a confident personality and the ability to work to tight deadlines

The organisation offers exceptional opportunities for career advancement in a prestigious financial institution, whilst encouraging a team orientated work ethic, individuals are rewarded for creativity and originality.

To discuss this opportunity in total confidence, please contact Richard Anson on 0171 405 4161. Alternatively, send your CV to him at the address below.

PSD

FMS Finance and Accountancy Recruitment

5 Bream's Buildings
Chancery Lane
London EC4A 1DY
Tel 0171 405 4161
Fax 0171 430 1140
E-Mail fms@psd.co.uk

INVESTOR IN PEOPLE

PARKWELL

Recently Qualified Accountant - Investment Bank

TREASURY ANALYST £35 - 40,000 + BANKING BENEFITS

Our client is one of the largest banks in Europe and one of the top 20 banks world-wide. It has an enviable reputation and a commanding international presence.

The recent expansion of treasury trading activity has created the role of Treasury Analyst within operational financial management.

The role requires the monitoring of trading exposure, the analysis of results on a product by product basis and the ongoing provision of ad hoc management information. You will also be required to review the existing systems that support the treasury activities and help advance any changes.

The requirement is for a recently qualified accountant who has gained some exposure to treasury products and ideally understands balance sheet management.

You may currently be with a large accountancy firm or a leading financial services company.

As the role will involve extensive liaison with different departments and exposure to senior line management you will need to demonstrate the confidence and ability to communicate at all levels.

The bank has a strong emphasis on training and development and offers ample opportunity for career advancement.

To apply please send a full CV with a covering letter detailing current salary to:
Andrew Fisher, Parkwell Management Consultants Ltd., 8 Wilfred Street, London SW1E 6PL
Telephone: 0171 630 8000; Facsimile: 0171 233 5205

TAKE AN ACTIVE PART IN OUR EUROPEAN GROWTH

Business analyst

One of the world's largest medical technology companies, with around 3800 employees in Europe, we seek a Business Analyst for our European Microbiology Division.

Reporting to the European Division Controller, you will be responsible for giving comprehensive financial support to this business.

Your contribution will essentially be in the following 2 areas :
- development and implementation of new financial and I.T. systems to support the organisation.
- pro-active business and financial support.

You will also be in charge of :
- the preparation of all financial statements and reporting to both European and Corporate management.
- the performance of financial analyses.
- the elaboration of Divisional Forecasts/Budgets and Long-Range Plans,

You hold an undergraduate degree in accounting, economics or business, with a sound knowledge of accountancy (US GAAP). A professional Accountancy degree/MBA will be valued. A minimum of 3 to 5 years experience within the financial department of a multinational company complemented with excellent knowledge of PC and mainframe systems is required.

Fluency in English and another major European language is essential to be successful in this position based at our European Headquarters in France - Grenoble area.

Please send your resume + handwriten letter under reference 415 to **BECTON DICKINSON** - 5 Chemin des Sources - BP 37 38241 MEYLAN cedex - FRANCE.

BECTON DICKINSON

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